

1 HOUSE BILL NO. 240

2 INTRODUCED BY B. LAKE

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAXATION OF CLASS EIGHT BUSINESS
 5 EQUIPMENT AND RELATED LAWS; REDUCING THE TAX RATE ON CLASS EIGHT BUSINESS EQUIPMENT;
 6 INCREASING THE BUSINESS EQUIPMENT TAX EXEMPTION TO THE FIRST \$100,000 OF MARKET VALUE
 7 OF PROPERTY; EXEMPTING FROM TAXATION ITEMS OF PERSONAL PROPERTY WITH A MARKET VALUE
 8 OF LESS THAN \$100; PROHIBITING CLASS EIGHT PROPERTY FROM BEING SEPARATED INTO
 9 DIFFERENT BUSINESS ENTITIES FOR DETERMINING WHETHER THE \$100,000 EXEMPTION IS
 10 EXCEEDED; PROVIDING FOR THE ALLOCATION OF EXEMPT CLASS EIGHT PROPERTY BY LOCATION;
 11 PROVIDING A REIMBURSEMENT TO LOCAL GOVERNMENTS AND TAX INCREMENT FINANCING
 12 DISTRICTS UNDER THE ENTITLEMENT SHARE PAYMENT, TO SCHOOL DISTRICTS THROUGH THE
 13 BLOCK GRANT PROGRAM, AND TO THE MONTANA UNIVERSITY SYSTEM THROUGH SUPPORT OF
 14 PUBLIC EDUCATION INSTITUTIONS FOR THE LOSS OF CLASS EIGHT AND CLASS TWELVE PROPERTY
 15 TAX REVENUE; CLARIFYING THE PROVISIONS OF THE ENTITLEMENT SHARE PAYMENT; CLARIFYING
 16 THE PROVISIONS OF THE SCHOOL DISTRICT BLOCK GRANTS; PROVIDING AN APPROPRIATION AND
 17 STATUTORY APPROPRIATIONS; AMENDING SECTIONS 7-1-2111, 15-1-121, 15-6-138, 15-6-219, 15-8-301,
 18 15-10-420, 17-7-502, 20-9-406, 20-9-407, AND 20-9-630, MCA; AND PROVIDING EFFECTIVE DATES AND
 19 APPLICABILITY DATES."

20

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

22

23 NEW SECTION. **Section 1. Reimbursement for class eight rate reduction and exemption --**
 24 **distribution -- appropriation.** (1) For the tax rate reduction and the exemption amount in 15-6-138, effective
 25 January 1, 2010, and for the effective tax rate reduction in calendar year 2010 on property under 15-6-145
 26 because of the rate reduction required by the amendment of 15-6-138 in [section 4], the department shall, by
 27 June 1, 2010, for calendar year 2010 estimate for each local government, as defined in 15-1-121(4), each school
 28 district, each tax increment financing district, and the 6-mill university levy for the purposes of 15-10-108 the
 29 difference between property tax collections under 15-6-138 as amended by [section 4] and under 15-6-145 and
 30 the property tax revenue that would have been collected under 15-6-138 and 15-6-145 if 15-6-138 had not been

1 amended by [section 4]. The difference is the reimbursable amount for each local government, each school
2 district, each tax increment financing district, and the 6-mill university levy for the purposes of 15-10-108.

3 (2) (a) The department shall distribute the reimbursement to local governments with the entitlement share
4 payments for fiscal year 2011 under 15-1-121(6). Local government reimbursements for subsequent years are
5 made pursuant to the entitlement share recomputation as provided in 15-1-121(6).

6 (b) For fiscal year 2010, the department shall determine from the amount calculated under subsection
7 (1) the amount that is attributable to personal property taxes that are not a lien on real property for each local
8 government. By June 15, 2010, the department shall distribute the amount determined under this subsection
9 (2)(b) for local governments as provided in 15-1-121(5)(a).

10 (c) The market value of class eight property exempted under 15-6-138 must be subtracted from the fiscal
11 year 2010 total market value of class eight property when the department computes the value of newly taxable
12 property for fiscal year 2010 under 15-10-420.

13 (3) (a) The office of public instruction shall distribute the reimbursement to school districts with the block
14 grants pursuant to 20-9-630(2) for fiscal year 2011. School district reimbursements for subsequent fiscal years
15 are made pursuant to 20-9-630.

16 (b) For fiscal year 2010, the department shall determine from the amount calculated under subsection
17 (1) the amount that is attributable to personal property taxes that are not a lien on real property for each school
18 district. By June 15, 2010, the office of public instruction shall distribute the amount determined under this
19 subsection (3)(b) in the same manner as the block grant is distributed by fund under 20-9-630.

20 (c) The amounts determined under subsection (3)(b) are statutorily appropriated, as provided in
21 17-7-502, from the general fund to the office of public instruction for distribution to school districts.

22 (4) (a) For each fiscal year beginning after June 30, 2010, the amount determined under subsection (1)
23 for each tax increment financing district must be added to the reimbursement amount for the tax increment
24 financing district as provided in 15-1-121(7)(b) if the tax increment financing district is still in existence. If a tax
25 increment financing district that is entitled to a reimbursement under this section is not listed under 15-1-121(7),
26 the reimbursement must be made to that tax increment financing district at the same time as other districts.

27 (b) For fiscal year 2010, the department shall determine from the amount calculated under subsection
28 (1) the amount that is attributable to personal property taxes that are not a lien on real property for each tax
29 increment financing district. By June 15, 2010, the department shall distribute the amount determined under this
30 subsection (4)(b) to each tax increment financing district as provided in 15-1-121(7)(b) and to any other tax

1 increment financing district that is entitled to a reimbursement under this section.

2 (5) (a) For each fiscal year beginning after June 30, 2010, the amount determined under subsection (1)
3 for the 6-mill university levy must be added to the support of public education institutions as provided in
4 15-10-108.

5 (b) For fiscal year 2010, the department shall determine from the amount calculated under subsection
6 (1) the amount that is attributable to personal property taxes that are not a lien on real property for the 6-mill
7 university levy. By June 15, 2010, the department shall distribute the amount determined under this subsection
8 (5)(b) for the support of public education institutions as provided in 15-10-108.

9 (c) The amounts determined under this subsection (5) are statutorily appropriated, as provided in
10 17-7-502, from the general fund to the department for distribution to the Montana board of regents for the support
11 of public education institutions as provided in 15-10-108.

12

13 **Section 2.** Section 7-1-2111, MCA, is amended to read:

14 **"7-1-2111. Classification of counties.** (1) For the purpose of regulating the compensation and salaries
15 of all county officers not otherwise provided for and for fixing the penalties of officers' bonds, the counties of this
16 state must be classified according to the taxable valuation of the property in the counties upon which the tax levy
17 is made as follows:

18 (a) first class--all counties having a taxable valuation of \$50 million or more;

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

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

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

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

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

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

25 (2) As used in this section, "taxable valuation" means the taxable value of taxable property in the county
26 as of the time of determination plus:

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

29 (b) that portion of the taxable value of the county on December 31, 1989, attributable to automobiles and
30 trucks having a manufacturer's rated capacity of more than three-quarters of a ton but less than or equal to 1 ton;

- 1 (c) that portion of the taxable value of the county on December 31, 1997, attributable to buses, trucks
 2 having a manufacturer's rated capacity of more than 1 ton, and truck tractors;
- 3 (d) that portion of the taxable value of the county on December 31, 1997, attributable to trailers, pole
 4 trailers, and semitrailers with a declared weight of less than 26,000 pounds;
- 5 (e) the value provided by the department of revenue under 15-36-332(7);
- 6 (f) 50% of the taxable value of the county on December 31, 1999, attributable to telecommunications
 7 property under 15-6-141;
- 8 (g) 50% of the taxable value in the county on December 31, 1999, attributable to electrical generation
 9 property under 15-6-141;
- 10 (h) the value provided by the department of revenue under 15-24-3001;
- 11 (i) 6% of the taxable value of the county on January 1 of each tax year;
- 12 (j) 45% of the contract sales price of the gross proceeds of coal in the county as provided in 15-23-703
 13 and as reported under 15-23-702; ~~and~~
- 14 (k) 33 1/3% of the value of bentonite produced during the previous year as provided in 15-39-110(14)
 15 and as reported under 15-39-101; and
- 16 (l) 50% of the taxable value of personal property under 15-6-138 and the amount of personal property
 17 reported under 15-6-219(2)(d)."

18

19 **Section 3.** Section 15-1-121, MCA, is amended to read:

20 **"15-1-121. Entitlement share payment -- appropriation.** (1) As described in 15-1-120(3), each local
 21 government is entitled to an annual amount that is the replacement for revenue received by local governments
 22 for diminishment of property tax base and various earmarked fees and other revenue that, pursuant to Chapter
 23 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later enactments, were
 24 consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the
 25 state treasury with each local government's share. The reimbursement under this section is provided by direct
 26 payment from the state treasury rather than the ad hoc system that offset certain state payments with local
 27 government collections due the state and reimbursements made by percentage splits, with a local government
 28 remitting a portion of collections to the state, retaining a portion, and in some cases sending a portion to other
 29 local governments. The amount calculated pursuant to this subsection, as adjusted pursuant to subsection
 30 (3)(a)(i), is each local government's base entitlement share. The department shall estimate the total amount of

- 1 revenue that each local government received from the following sources for the fiscal year ending June 30, 2001:
- 2 ~~—— (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter~~
3 ~~584, Laws of 1999;~~
- 4 ~~—— (b) vehicle, boat, and aircraft taxes and fees pursuant to:~~
- 5 ~~—— (i) Title 23, chapter 2, part 5;~~
6 ~~—— (ii) Title 23, chapter 2, part 6;~~
7 ~~—— (iii) Title 23, chapter 2, part 8;~~
8 ~~—— (iv) 61-3-317;~~
9 ~~—— (v) 61-3-321;~~
10 ~~—— (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment~~
11 ~~of 61-3-509 in 2001;~~
- 12 ~~—— (vii) Title 61, chapter 3, part 7;~~
13 ~~—— (viii) 5% of the fees collected under 61-10-122;~~
14 ~~—— (ix) 61-10-130;~~
15 ~~—— (x) 61-10-148; and~~
16 ~~—— (xi) 67-3-205;~~
- 17 ~~—— (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);~~
18 ~~—— (d) district court fees pursuant to:~~
- 19 ~~—— (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);~~
20 ~~—— (ii) 25-1-202;~~
21 ~~—— (iii) 25-9-506; and~~
22 ~~—— (iv) 27-9-103;~~
- 23 ~~—— (e) certificate of title fees for manufactured homes pursuant to 15-1-116;~~
24 ~~—— (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;~~
25 ~~—— (g) all beer, liquor, and wine taxes pursuant to:~~
- 26 ~~—— (i) 16-1-404;~~
27 ~~—— (ii) 16-1-406; and~~
28 ~~—— (iii) 16-1-411;~~
29 ~~—— (h) late filing fees pursuant to 61-3-220;~~
30 ~~—— (i) title and registration fees pursuant to 61-3-203;~~

- 1 ~~—— (j) veterans' cemetery license plate fees pursuant to 61-3-459;~~
- 2 ~~—— (k) county personalized license plate fees pursuant to 61-3-406;~~
- 3 ~~—— (l) special mobile equipment fees pursuant to 61-3-431;~~
- 4 ~~—— (m) single movement permit fees pursuant to 61-4-310;~~
- 5 ~~—— (n) state aeronautics fees pursuant to 67-3-101; and~~
- 6 ~~—— (o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77,~~
- 7 ~~chapter 1, part 5.~~

8 ~~—— (2) (a) From the amounts estimated in subsection (1) for each county government, the department shall~~
 9 ~~deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court~~
 10 ~~expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by~~
 11 ~~the state in fiscal year 2002.~~

12 ~~(b)(2) The total amount estimated pursuant to subsections (1) and (2)(a) received in fiscal year 2009 as~~
 13 ~~an entitlement share payment under this section is the base component for the fiscal year 2010 distribution, and~~
 14 ~~in each subsequent year the prior year entitlement share payment, including any reimbursement payments~~
 15 ~~received pursuant to subsection (6), is each local government's base year component. The sum of all local~~
 16 ~~governments' base year components is the base fiscal year entitlement share pool. ~~For the purpose of calculating~~~~
 17 ~~the sum of all local governments' base year components, the base year component for a local government may~~
 18 ~~not be less than zero.~~

19 (3) (a) The base year entitlement share pool must be increased annually by a growth rate as provided
 20 for in this subsection (3). The amount determined through the application of annual growth rates is the entitlement
 21 share pool for each fiscal year. By October 1 of each even-numbered year, the department shall calculate the
 22 growth rate of the entitlement share pool for each year of the next biennium in the following manner:

23 ~~(i) Before applying the growth rate for fiscal year 2007 to determine the fiscal year 2007 entitlement share~~
 24 ~~payments, the department shall subtract from the fiscal year 2006 entitlement share payments the following~~
 25 ~~amounts:~~

26	Beaverhead	_____	\$6,972
27	Big Horn	_____	\$52,551
28	Blaine	_____	\$13,625
29	Broadwater	_____	\$2,564
30	Carbon	_____	\$11,537

1	Carter	\$407
2	Cascade	\$100,000
3	Chouteau	\$3,536
4	Custer	\$7,011
5	Daniels	\$143
6	Dawson	\$3,893
7	Fallon	\$1,803
8	Fergus	\$9,324
9	Flathead	\$100,000
10	Gallatin	\$160,000
11	Garfield	\$91
12	Glacier	\$3,035
13	Golden Valley	\$2,282
14	Granite	\$4,554
15	Hill	\$31,740
16	Jefferson	\$5,700
17	Judith Basin	\$1,487
18	Lake	\$38,314
19	Lewis and Clark	\$160,000
20	Liberty	\$152
21	Lincoln	\$3,759
22	Madison	\$8,805
23	McCone	\$1,651
24	Meagher	\$2,722
25	Mineral	\$2,361
26	Missoula	\$200,000
27	Musselshell	\$23,275
28	Park	\$6,582
29	Petroleum	\$36
30	Phillips	\$653

1	Pondera	\$10,270
2	Powder River	\$848
3	Powell	\$5,146
4	Prairie	\$717
5	Ravalli	\$93,090
6	Richland	\$3,833
7	Roosevelt	\$9,526
8	Rosebud	\$19,971
9	Sanders	\$30,712
10	Sheridan	\$271
11	Stillwater	\$12,117
12	Sweet Grass	\$2,463
13	Teton	\$5,560
14	Toole	\$7,113
15	Treasure	\$54
16	Valley	\$6,899
17	Wheatland	\$918
18	Wibaux	\$72
19	Yellowstone	\$270,000
20	Anaconda-Deer Lodge	\$20,707
21	Butte-Silver Bow	\$53,057
22	Alberton	\$675
23	Bainville	\$258
24	Baker	\$2,828
25	Bearcreek	\$143
26	Belgrade	\$11,704
27	Belt	\$1,056
28	Big Sandy	\$1,130
29	Big Timber	\$2,910
30	Billings	\$163,499

1	Boulder	\$2,340
2	Bozeman	\$52,805
3	Bridger	\$1,303
4	Broadus	\$766
5	Broadview	\$258
6	Brockton	\$414
7	Browning	\$1,830
8	Cascade	\$1,374
9	Chester	\$1,430
10	Chinook	\$2,275
11	Choteau	\$3,050
12	Circle	\$1,018
13	Clyde Park	\$572
14	Colstrip	\$4,090
15	Columbia Falls	\$6,805
16	Columbus	\$3,245
17	Conrad	\$4,562
18	Culbertson	\$1,216
19	Cut Bank	\$5,316
20	Darby	\$1,348
21	Deer Lodge	\$5,708
22	Denton	\$503
23	Dillon	\$6,928
24	Dodson	\$194
25	Drummond	\$561
26	Dutton	\$661
27	East Helena	\$2,888
28	Ekalaka	\$689
29	Ennis	\$1,518
30	Eureka	\$1,733

1	Fairfield	\$1,120
2	Fairview	\$1,152
3	Flaxville	\$143
4	Forsyth	\$3,286
5	Fort Benton	\$2,579
6	Fort Peck	\$393
7	Froid	\$328
8	Fromberg	\$855
9	Geraldine	\$457
10	Glasgow	\$5,361
11	Glendive	\$8,099
12	Grass Range	\$254
13	Great Falls	\$96,422
14	Hamilton	\$7,148
15	Hardin	\$5,920
16	Harlem	\$1,422
17	Harlowton	\$1,678
18	Havre	\$16,223
19	Helena	\$45,877
20	Hingham	\$263
21	Hobson	\$397
22	Hot Springs	\$912
23	Hysham	\$482
24	Ismay	\$43
25	Joliet	\$1,006
26	Jordan	\$606
27	Judith Gap	\$263
28	Kalispell	\$28,144
29	Kevin	\$304
30	Laurel	\$10,804

1	Lavina	\$361
2	Lewistown	\$10,170
3	Libby	\$4,475
4	Lima	\$397
5	Livingston	\$12,145
6	Lodge Grass	\$889
7	Malta	\$3,389
8	Manhattan	\$2,485
9	Medicine Lake	\$410
10	Melstone	\$234
11	Miles City	\$14,152
12	Missoula	\$104,264
13	Moore	\$319
14	Nashua	\$536
15	Neihart	\$149
16	Opheim	\$180
17	Outlook	\$125
18	Philipsburg	\$1,612
19	Pinesdale	\$1,413
20	Plains	\$2,007
21	Plentywood	\$3,185
22	Plevna	\$225
23	Polson	\$7,722
24	Poplar	\$1,544
25	Red Lodge	\$3,903
26	Rexford	\$263
27	Richey	\$309
28	Ronan	\$3,262
29	Roundup	\$3,280
30	Ryegate	\$465

1	Saco	\$354
2	Scobey	\$1,798
3	Shelby	\$5,677
4	Sheridan	\$1,150
5	Sidney	\$7,747
6	Stanford	\$737
7	Stevensville	\$3,063
8	St. Ignatius	\$1,367
9	Sunburst	\$709
10	Superior	\$1,521
11	Terry	\$1,011
12	Thompson Falls	\$2,272
13	Three Forks	\$3,130
14	Townsend	\$3,286
15	Troy	\$1,654
16	Twin Bridges	\$695
17	Valier	\$817
18	Virginia City	\$223
19	Walkerville	\$1,183
20	West Yellowstone	\$2,083
21	Westby	\$263
22	White Sulphur Springs	\$1,734
23	Whitefish	\$9,932
24	Whitehall	\$1,889
25	Wibaux	\$893
26	Winifred	\$259
27	Winnett	\$314
28	Wolf Point	\$4,497

29 (ii)(i) The department shall calculate the average annual growth rate of the Montana gross state product,
30 as published by the bureau of economic analysis of the United States department of commerce, for the following

1 periods:

2 ~~———(A) the last 4 calendar years for which the information has been published; and~~

3 ~~———(B) the 4 calendar years beginning with the year before the first year in the period referred to in~~

4 ~~subsection (3)(a)(ii)(A).~~

5 (iii)(ii) The department shall calculate the average annual growth rate of Montana personal income, as
6 published by the bureau of economic analysis of the United States department of commerce, for ~~the following~~

7 periods:

8 ~~———(A) the last 4 calendar years for which the information has been published; and~~

9 ~~———(B) the 4 calendar years beginning with the year before the first year in the period referred to in~~

10 ~~subsection (3)(a)(iii)(A).~~

11 (b) (i) The entitlement share pool growth rate for ~~the first each year of the biennium~~ must be the following
12 percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(B) (3)(a)(i) and (3)(a)(iii)(B)~~

13 ~~(3)(a)(ii):~~

14 ~~(A)(i) for counties, 54%;~~

15 ~~(B)(ii) for consolidated local governments, 62%; and~~

16 ~~(C)(iii) for incorporated cities and towns, 70%.~~

17 (ii) ~~The entitlement share pool growth rate for the second year of the biennium must be the following~~
18 ~~percentage of the average of the growth rates calculated in subsections (3)(a)(ii)(A) and (3)(a)(iii)(A):~~

19 ~~———(A) for counties, 54%;~~

20 ~~———(B) for consolidated local governments, 62%; and~~

21 ~~———(C) for incorporated cities and towns, 70%.~~

22 (4) As used in this section, "local government" means a county, a consolidated local government, an
23 incorporated city, and an incorporated town. A local government does not include a tax increment financing
24 district provided for in subsection (6) ~~(7)~~. ~~For purposes of calculating the base year component for a county or~~
25 ~~consolidated local government, the department shall include the revenue listed in subsection (1) for all special~~
26 ~~districts within the county or consolidated local government.~~ The county or consolidated local government is
27 responsible for making an allocation from the county's or consolidated local government's share of the entitlement
28 share pool to each special district within the county or consolidated local government in a manner that reasonably
29 reflects each special district's loss of revenue sources ~~listed in subsection (1) for which reimbursement is provided~~
30 in this section.

1 (5) (a) The entitlement share pools calculated in this section, the amounts determined under [section
 2 1(2)(b)] for local governments, and the block grants funding provided for in subsection ~~(6) (7)~~, and the amounts
 3 determined under [section 1(4)(b)] for tax increment financing districts are statutorily appropriated, as provided
 4 in 17-7-502, from the general fund to the department for distribution to local governments. ~~Each local government~~
 5 ~~is entitled to a pro rata share of each year's entitlement share pool based on the local government's base~~
 6 ~~component in relation to the base year entitlement share pool. The~~ Except for the distribution made under [section
 7 1(2)(b)], the distributions must be made on a quarterly basis.

8 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year
 9 and the entitlement share pool in the previous fiscal year. ~~For the purposes of subsection (5)(b)(ii)(A), a county~~
 10 ~~with a negative base year component has a base year component of zero.~~ The growth factor in the entitlement
 11 share must be calculated separately for:

12 (A) counties;

13 (B) consolidated local governments; and

14 (C) incorporated cities and towns.

15 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

16 (A) 50% of the growth amount must be allocated based upon each county's percentage of the ~~base~~ prior
 17 fiscal year entitlement share pool for all counties; and

18 (B) 50% of the growth amount must be allocated based upon the percentage that each county's
 19 population bears to the state population not residing within consolidated local governments as determined by the
 20 latest interim year population estimates from the Montana department of commerce as supplied by the United
 21 States bureau of the census.

22 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
 23 follows:

24 (A) 50% of the growth amount must be allocated based upon each consolidated local government's
 25 percentage of the ~~base~~ prior fiscal year entitlement share pool for all consolidated local governments; and

26 (B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local
 27 government's population bears to the state's total population residing within consolidated local governments as
 28 determined by the latest interim year population estimates from the Montana department of commerce as
 29 supplied by the United States bureau of the census.

30 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

1 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
 2 percentage of the ~~base~~ prior fiscal year entitlement share pool for all incorporated cities and towns; and

3 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's
 4 population bears to the state's total population residing within incorporated cities and towns as determined by the
 5 latest interim year population estimates from the Montana department of commerce as supplied by the United
 6 States bureau of the census.

7 (v) In each fiscal year, the amount of the entitlement share pool ~~not represented by~~ before the growth
 8 amount or adjustments are made under subsection (6) are applied is to be distributed to each local government
 9 in the same manner as the entitlement share pool was distributed in the prior fiscal year.

10 (6) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
 11 the department shall determine the reimbursement amount as provided in the enactment and add the appropriate
 12 amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal
 13 year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool.
 14 The ratio of each local government's distribution from the entitlement share pool must be recomputed to
 15 determine each local government's ratio to be used in the subsequent year's distribution determination under
 16 subsections (5)(b)(ii)(A), (5)(b)(iii)(A), and (5)(b)(iv)(A).

17 ~~(6)(7)~~ (a) If a tax increment financing district was not in existence during the fiscal year ending June 30,
 18 2000, then the tax increment financing district is not entitled to any ~~block grant funding~~. If a tax increment
 19 financing district referred to in subsection ~~(6)(b)~~ (7)(b) terminates, then the ~~block grant funding for the district~~
 20 provided for in subsection ~~(6)(b)~~ (7)(b) terminates.

21 (b) ~~One-half~~ Except for the reimbursement made under [section 1(4)(b)], one-half of the payments
 22 provided for in this subsection ~~(6)(b)~~ (7)(b) must be made by November 30 and the other half by May 31 of each
 23 year. Subject to subsection ~~(6)(a)~~ (7)(a), the entitlement share for tax increment financing districts is as follows:

24	Cascade	Great Falls - downtown	\$468,966
25	Deer Lodge	TIF District 1	3,148
26	Deer Lodge	TIF District 2	3,126
27	Flathead	Kalispell - District 1	758,359
28	Flathead	Kalispell - District 2	5,153
29	Flathead	Kalispell - District 3	41,368
30	Flathead	Whitefish District	164,660

1	Gallatin	Bozeman - downtown	34,620
2	Lewis and Clark	Helena - #2	731,614
3	Missoula	Missoula - 4-1B & 1-1C	1,100,507 <u>250,279</u>
4	Missoula	Missoula - 4-1C	33,343
5	Silver Bow	Butte - uptown	283,801
6	Yellowstone	Billings	436,815

7 ~~(7)~~(8) The estimated base fiscal year entitlement share pool and any subsequent entitlement share pool
 8 for local governments do not include revenue received from tax increment financing districts, from countywide
 9 transportation block grants, or from countywide retirement block grants.

10 ~~(8) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(c) is significantly~~
 11 ~~reduced, except through legislative action, the department shall deduct the amount of revenue loss from the~~
 12 ~~entitlement share pool beginning in the succeeding fiscal year and the department shall work with local~~
 13 ~~governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of~~
 14 ~~revenue.~~

15 ~~(b) For the purposes of subsection (8)(a), a significant reduction is a loss that causes the amount of~~
 16 ~~revenue received in the current year to be less than 95% of the amount of revenue received in the base year.~~

17 (9) A three-fifths vote of each house of the legislature is required to reduce the amount of the entitlement
 18 share calculated pursuant to subsections (1) through (3).

19 (10) When there has been an underpayment of a local government's share of the entitlement share pool,
 20 the department shall distribute the difference between the underpayment and the correct amount of the
 21 entitlement share. When there has been an overpayment of a local government's entitlement share, the local
 22 government shall remit the overpaid amount to the department.

23 (11) A local government may appeal the department's estimation of the base year component, the
 24 entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according
 25 to the uniform dispute review procedure in 15-1-211.

26 (12) A payment required pursuant to this section may not be offset by a debt owed to a state agency by
 27 a local government in accordance with Title 17, chapter 4, part 1."

28
 29 **Section 4.** Section 15-6-138, MCA, is amended to read:
 30 "**15-6-138. Class eight property -- description -- taxable percentage -- exemption -- rules.** (1) Class

1 eight property includes:

2 (a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;

3 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies

4 except those included in class five under 15-6-135;

5 (c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage

6 tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication

7 towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment

8 that is skidable, portable, or movable, tools that are not exempt under 15-6-219, and supplies except those

9 included in class five;

10 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and

11 personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors

12 as provided in 15-6-220, and supplies except those included in class five;

13 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are

14 specifically included and taxed in another class;

15 (f) special mobile equipment as defined in 61-1-101;

16 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in

17 commercial establishments as defined in this section;

18 (h) x-ray and medical and dental equipment;

19 (i) citizens' band radios and mobile telephones;

20 (j) radio and television broadcasting and transmitting equipment;

21 (k) cable television systems;

22 (l) coal and ore haulers;

23 (m) theater projectors and sound equipment; and

24 (n) all other property that is not included in any other class in this part, except that property that is subject

25 to a fee in lieu of a property tax.

26 (2) As used in this section, the following definitions apply:

27 (a) ~~coal~~ "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and

28 that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying

29 environment.

30 (b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or

1 service, wholesale, retail, or food-handling business.

2 ~~(4)~~(3) Class eight property is taxed at ~~3%~~ 2% of its market value.

3 ~~(5)~~(4) (a) The first \$100,000 of market value of class eight property of a person owned by an individual
4 or business entity ~~that owns an aggregate of \$20,000 or less in market value of class eight property~~ is exempt
5 from taxation.

6 (b) (i) The department shall, by rule, establish reporting requirements that will not allow multiple business
7 identities to be formed to obtain multiple exemption thresholds for what are functionally single businesses. The
8 rules may require individual and taxpayer identification numbers for pass-through entities, as defined in
9 15-30-101, and their owners, partners, and officers to allow the department to track exemptions through the
10 entities.

11 (ii) Whenever one member of a firm or one of the proper officers of a corporation has made a statement
12 showing the property of the firm or corporation, another member of the firm or another officer is not required to
13 include the property in that person's statement, but the statement must show the name of the person or officer
14 who made the statement in which the property is included.

15 (iii) The fact that a statement is not required or that a person has not made a statement, under oath or
16 otherwise, does not relieve the person's property from taxation."

17

18 **Section 5.** Section 15-6-219, MCA, is amended to read:

19 **"15-6-219. Personal and other property exemptions -- allocation of certain exemptions.** (1) The
20 following categories of property are exempt from taxation:

21 ~~(1)~~(a) harness, saddlery, and other tack equipment;

22 ~~(2)~~(b) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily
23 hand-held and that are used to:

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

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

26 ~~(3)~~(c) all household goods and furniture, including but not limited to clocks, musical instruments, sewing
27 machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes
28 or for furnishing or equipping the family residence;

29 ~~(4)~~(d) a bicycle, as defined in 61-8-102, used by the owner for personal transportation purposes;

30 ~~(5)~~(e) items of personal property intended for rent or lease in the ordinary course of business if each item

1 of personal property satisfies all of the following:

2 ~~(a)~~(i) the acquired cost of the personal property is less than \$15,000;

3 ~~(b)~~(ii) the personal property is owned by a business whose primary business income is from rental or
4 lease of personal property to individuals and no one customer of the business accounts for more than 10% of the
5 total rentals or leases during a calendar year; and

6 ~~(c)~~(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;

7 (f) the specified amount or less of market value of class eight property exempt under 15-6-138(4) not
8 otherwise exempt from property taxation owned by an individual or business entity that is identified by a unique
9 taxpayer identification number;

10 (g) items of personal property with a market value of less than \$100;

11 ~~(6)~~(h) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,
12 launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and
13 launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that
14 are directly used for space vehicle design, manufacture, launch, repair, and maintenance; and

15 ~~(7)~~(i) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in
16 33-25-105.

17 (2) (a) For determining the amount of a taxpayer's class eight property that is subject to taxation, the
18 department shall allocate the market value of class eight business equipment that is exempt from taxation under
19 subsection (1)(f) as provided in this subsection (2).

20 (b) If the class eight business equipment of the taxpayer is used in a single location, the market value
21 of the exempt property is allocated to that location.

22 (c) If the class eight business equipment of the taxpayer is used in more than one location, the market
23 value of the exempt property must be allocated to each location in the ratio that the total market value of class
24 eight property at that location bears to the total market value of class eight property of the taxpayer at all
25 locations.

26 (d) (i) The allocations determined under subsections (2)(b) and (2)(c) must be converted to taxable value
27 using the tax rate under 15-6-138 and must be reported to counties for the purpose of determining county
28 classification under 7-1-2111 and to school districts for the purposes of determining debt limits under 20-9-406.

29 (ii) The market value allocations determined under subsections (2)(b) and (2)(c) must be treated as
30 assessed value under 15-8-111 for the purposes of debt limits and other bonding provisions under 2-9-211,

1 7-3-1321, 7-7-107, 7-7-2101, 7-7-2301, 7-7-4201, 7-13-237, 7-13-309, 7-13-4103, 7-14-236, 7-14-2520,
 2 7-14-2524, 7-16-2327, 7-16-2433, 7-16-4104, 7-31-107, 7-33-2109, 7-33-2404, 7-34-2131, 19-18-503, 39-71-403,
 3 and 85-9-406 and as otherwise provided by law."

4

5 **Section 6.** Section 15-8-301, MCA, is amended to read:

6 **"15-8-301. Statement -- what to contain -- rules.** (1) The department may require from a person a
 7 statement under oath setting forth specifically all the real and personal property owned by, in possession of, or
 8 under the control of the person at midnight on January 1. The statement must be in writing, showing separately:

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

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

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

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

18 (e) an exact description of all lands, improvements, and personal property;

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

21 (2) The department shall notify the taxpayer in the statement for reporting personal property owned by
 22 a business or used in a business that the statement is for reporting business equipment and other business
 23 personal property described in Title 15, chapter 6, part 1. ~~A~~ Except as provided in subsection (3), a taxpayer
 24 owning exempt business equipment is subject to limited reporting requirements; ~~however~~ However, all new
 25 businesses shall report their class eight property, as defined in 15-6-138, so that the department can determine
 26 the market value of the property. The department shall by rule develop reporting requirements for business
 27 equipment to limit the annual reporting of exempt business equipment to the extent feasible.

28 (3) In the reporting of exempt business equipment under 15-6-219(1)(f), the department shall, by rule,
 29 establish reporting requirements that will prevent the use of multiple business identities to obtain multiple
 30 exemptions for what are functionally single businesses. The rules must require a unique taxpayer identification

1 number for an individual and business entity to allow the department to track exemptions of all individuals and
 2 business entities. The department shall use the information obtained under this subsection to allocate the market
 3 value of exempt business equipment as provided in 15-6-219(2).

4 ~~(3)~~(4) Whenever one member of a firm or one of the proper officers of a corporation has made a
 5 statement showing the property of the firm or corporation, another member of the firm or another officer is not
 6 required to include the property in that person's statement but the statement must show the name of the person
 7 or officer who made the statement in which the property is included.

8 ~~(4)~~(5) The fact that a statement is not required or that a person has not made a statement, under oath
 9 or otherwise, does not relieve the person's property from taxation."

10

11 **Section 7.** Section 15-10-420, MCA, is amended to read:

12 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
 13 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
 14 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3
 15 years. The maximum number of mills that a governmental entity may impose is established by calculating the
 16 number of mills required to generate the amount of property tax actually assessed in the governmental unit in the
 17 prior year based on the current year taxable value, less the current year's value of newly taxable property, plus
 18 one-half of the average rate of inflation for the prior 3 years.

19 (b) A governmental entity that does not impose the maximum number of mills authorized under
 20 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between
 21 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority
 22 carried forward may be imposed in a subsequent tax year.

23 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of
 24 inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using
 25 the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

26 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional
 27 levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly
 28 taxable property.

29 (3) (a) For purposes of this section, newly taxable property includes:

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

1 (ii) construction, expansion, or remodeling of improvements;

2 (iii) transfer of property into a taxing unit;

3 (iv) subdivision of real property; and

4 (v) transfer of property from tax-exempt to taxable status.

5 (b) Newly taxable property does not include an increase in value that arises because of an increase in
6 the incremental value within a tax increment financing district.

7 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
8 release of taxable value from the incremental taxable value of a tax increment financing district because of:

9 (i) a change in the boundary of a tax increment financing district;

10 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

11 (iii) the termination of a tax increment financing district.

12 (b) If a tax increment financing district terminates prior to the certification of taxable values as required
13 in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment
14 financing district terminates. If a tax increment financing district terminates after the certification of taxable values
15 as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

16 (c) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real
17 property that results in the property being taxable as class four property under 15-6-134 or as nonqualified
18 agricultural land as described in 15-6-133(1)(c).

19 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

20 (a) school district levies established in Title 20; or

21 (b) the portion of a governmental entity's property tax levy for premium contributions for group benefits
22 excluded under 2-9-212 or 2-18-703.

23 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received
24 under 15-6-131 and 15-6-132.

25 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

26 (a) may increase the number of mills to account for a decrease in reimbursements;

27 (b) may not increase the number of mills to account for a loss of tax base because of legislative action
28 that is reimbursed under the provisions of 15-1-121(6).

29 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes
30 of 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439. However, the number of mills calculated

1 by the department may not exceed the mill levy limits established in those sections. The mill calculation must be
 2 established in whole mills. If the mill levy calculation does not result in a whole number of mills, then the
 3 calculation must be rounded up to the nearest whole mill.

4 (9) (a) The provisions of subsection (1) do not prevent or restrict:

5 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

6 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;

7 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326; or

8 (iv) a levy for the support of a study commission under 7-3-184.

9 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
 10 actually assessed in a subsequent year.

11 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402,
 12 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
 13 authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating
 14 funds by a county or municipality during that time.

15 (11) The department may adopt rules to implement this section. The rules may include a method for
 16 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
 17 improvements, or newly taxable property in a governmental unit."

18

19 **Section 8.** Section 17-7-502, MCA, is amended to read:

20 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
 21 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the
 22 need for a biennial legislative appropriation or budget amendment.

23 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both
 24 of the following provisions:

25 (a) The law containing the statutory authority must be listed in subsection (3).

26 (b) The law or portion of the law making a statutory appropriation must specifically state that a statutory
 27 appropriation is made as provided in this section.

28 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;
 29 5-11-407; 5-13-403; 7-4-2502; 10-1-1202; 10-1-1303; 10-2-603; 10-3-203; 10-3-310; 10-3-312; 10-3-314;
 30 10-4-301; 15-1-121; [section 1]; 15-1-218; 15-23-706; 15-31-906; 15-35-108; 15-36-332; 15-37-117; 15-39-110;

1 15-65-121; 15-70-101; 15-70-369; 15-70-601; 16-11-509; 17-3-106; 17-3-212; 17-3-222; 17-3-241; 17-6-101;
 2 17-7-304; 18-11-112; 19-3-319; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305;
 3 19-19-506; 19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; 20-9-622; 20-9-630; 20-26-1503; 22-3-1004;
 4 23-4-105; 23-4-202; 23-4-204; 23-4-302; 23-4-304; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402;
 5 37-43-204; 37-51-501; 39-71-503; 41-5-2011; 42-2-105; 44-1-504; 44-12-206; 44-13-102; 50-4-623; 53-1-109;
 6 53-6-703; 53-24-108; 53-24-206; 60-11-115; 61-3-415; 69-3-870; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313;
 7 76-13-150; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-5-510; 80-11-518; 82-11-161; 87-1-513; 90-1-115;
 8 90-1-205; 90-3-1003; and 90-9-306.

9 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
 10 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
 11 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana
 12 to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state
 13 treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory
 14 appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion
 15 of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is
 16 10 years or less; pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates July 1, 2014;
 17 pursuant to sec. 10(2), Ch. 10, Sp. L. May 2000, and secs. 3 and 6, Ch. 481, L. 2003, the inclusion of 15-35-108
 18 terminates June 30, 2010; pursuant to sec. 17, Ch. 593, L. 2005, the inclusion of 15-31-906 terminates January
 19 1, 2010; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410 terminates upon the death of the last
 20 recipient eligible under 19-6-709(2) for the supplemental benefit provided by 19-6-709; and pursuant to sec. 6,
 21 Ch. 2, Sp. L. September 2007, the inclusion of 76-13-150 terminates June 30, 2009.)"

22

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

24 **"20-9-406. Limitations on amount of bond issue -- definition of federal impact aid basic support**
 25 **payment.** (1) (a) Except as provided in subsection (1)(d), the maximum amount for which an elementary district
 26 or a high school district may become indebted by the issuance of general obligation bonds, including all
 27 indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants,
 28 outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable that are held as
 29 general obligations of the district, is 50% of:

30 (i) the taxable value of the property subject to taxation, as ascertained by the last assessment for state,

1 county, and school taxes previous to the incurring of the indebtedness;

2 (ii) the taxable value of personal property reported under 15-6-219; and

3 (iii) the taxable value of property classified under 15-6-138.

4 (b) Except as provided in subsection (1)(d), the maximum amount for which a K-12 school district, as
5 formed pursuant to 20-6-701, may become indebted by the issuance of general obligation bonds, including all
6 indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants,
7 outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable that are held as
8 general obligations of the district, is up to 100% of:

9 (i) the taxable value of the property subject to taxation, as ascertained by the last assessment for state,
10 county, and school taxes previous to the incurring of the indebtedness;

11 (ii) the taxable value of personal property reported under 15-6-219; and

12 (iii) 50% of the taxable value of property classified under 15-6-138.

13 (c) The total indebtedness of the high school district with an attached elementary district is limited to the
14 sum of 50% of the taxable value of the property for elementary school program purposes and 50% of the taxable
15 value of the property for high school program purposes, adjusted as provided in this section.

16 (d) (i) The maximum amount for which an elementary district or a high school district with a district mill
17 value per elementary ANB or per high school ANB that is less than the facility guaranteed mill value per
18 elementary ANB or high school ANB under 20-9-366 may become indebted by the issuance of general obligation
19 bonds, including all indebtedness represented by outstanding general obligation bonds of previous issues,
20 registered warrants, outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable
21 that are held as general obligations of the district, is 50% of the corresponding facility guaranteed mill value per
22 ANB times 1,000 times the ANB of the district. For a K-12 district, the maximum amount for which the district may
23 become indebted is 50% of the sum of the facility guaranteed mill value per elementary ANB times 1,000 times
24 the elementary ANB of the district and the facility guaranteed mill value per high school ANB times 1,000 times
25 the high school ANB of the district. For the purpose of calculating ANB under this subsection, a district may use
26 the greater of the current year ANB or the 3-year ANB calculated under 20-9-311.

27 (ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum bonded
28 indebtedness under this subsection (1)(d), a district may include the ANB of the district plus the number of
29 students residing within the district for which the district or county pays tuition for attendance at a school in an
30 adjacent district. The receiving district may not use out-of-district ANB for the purpose of calculating its maximum

1 indebtedness if the out-of-district ANB has been included in the ANB of the sending district pursuant to the mutual
2 agreement. For the purpose of calculating ANB under this subsection, a district may use the greater of the current
3 year ANB or the 3-year ANB calculated under 20-9-311.

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

8 (3) The maximum amount of impact aid revenue bonds that an elementary district, high school district,
9 or K-12 school district may issue may not exceed a total aggregate amount equal to three times the average of
10 the school district's annual federal impact aid basic support payments for the 5 years immediately preceding the
11 issuance of the bonds. However, at the time of issuance of the bonds, the average annual payment of principal
12 and interest on the impact aid bonds each year may not exceed 35% of the total federal impact aid basic support
13 payments of the school district for the current year.

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

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

20 (6) As used in this part, "federal impact aid basic support payment" means the annual impact aid revenue
21 received by a district under 20 U.S.C. 7703(b) but excludes revenue received for impact aid special education
22 under 20 U.S.C. 7703(d) and impact aid construction under 20 U.S.C. 7707."

23

24 **Section 10.** Section 20-9-407, MCA, is amended to read:

25 **"20-9-407. Industrial facility agreement for bond issue in excess of maximum.** (1) In a school district
26 within which a new major industrial facility that seeks to qualify for taxation as class five property under 15-6-135
27 is being constructed or is about to be constructed, the school district may require, as a precondition of the new
28 major industrial facility qualifying as class five property, that the owners of the proposed industrial facility enter
29 into an agreement with the school district concerning the issuing of bonds in excess of the 50% limitation, as
30 adjusted, prescribed in 20-9-406. Under an agreement, the school district may, with the approval of the voters,

1 issue bonds that exceed the limitation prescribed in this section by a maximum of 50% of the estimated taxable
 2 value of the property of the new major industrial facility subject to taxation when completed. The estimated taxable
 3 value of the property of the new major industrial facility subject to taxation must be computed by the department
 4 of revenue when requested to do so by a resolution of the board of trustees of the school district. A copy of the
 5 department's statement of estimated taxable value must be printed on each ballot used to vote on a bond issue
 6 proposed under this section.

7 (2) Pursuant to the agreement between the new major industrial facility and the school district and as
 8 a precondition to qualifying as class five property, the new major industrial facility and its owners shall pay, in
 9 addition to the taxes imposed by the school district on property owners generally, as much of the principal and
 10 interest on the bonds provided for under this section as represents payment on an indebtedness in excess of the
 11 limitation prescribed in 20-9-406. After the completion of the new major industrial facility and when the
 12 indebtedness of the school district no longer exceeds the limitation prescribed in this section, the new major
 13 industrial facility is entitled, after all the current indebtedness of the school district has been paid, to a tax credit
 14 over a period of no more than 20 years. The credit must as a total amount be equal to the amount that the facility
 15 paid the principal and interest of the school district's bonds in excess of its general liability as a taxpayer within
 16 the district.

17 (3) A major industrial facility is a facility subject to the taxing power of the school district, whose
 18 construction or operation will increase the population of the district, imposing a significant burden upon the
 19 resources of the district and requiring construction of new school facilities. A significant burden is an increase in
 20 ANB of at least 20% in a single year."

21
 22 **Section 11.** Section 20-9-630, MCA, is amended to read:

23 **"20-9-630. School district block grants -- appropriation.** (1) (a) The office of public instruction shall
 24 provide a block grant to each school district based on:

25 (i) the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate license
 26 taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and property tax
 27 reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999; and

28 (ii) any reimbursement to be made to a school district pursuant to subsection (2).

29 (b) Block grants must be calculated using the electronic reporting system that is used by the office of
 30 public instruction and school districts. The electronic reporting system must be used to allocate the block grant

1 amount into each district's budget as an anticipated revenue source by fund.

2 ~~(c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount~~
 3 ~~actually received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block grant~~
 4 ~~for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall use~~
 5 ~~93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.~~

6 ~~(2) If the fiscal year 2003 appropriation provided in section 248(1), Chapter 574, Laws of 2001, is~~
 7 ~~insufficient to fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of~~
 8 ~~public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall~~
 9 ~~anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal~~
 10 ~~year 2003.~~

11 (2) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
 12 the office of public instruction shall determine the reimbursement amount as provided in the enactment and add
 13 the appropriate amount to block grant distributions under this section. The total of reimbursement distributions
 14 made pursuant to this subsection in a fiscal year must be added to all other distributions to the school district in
 15 the fiscal year to determine the distribution for the subsequent fiscal year. The block grant percentage increases
 16 in subsections (4)(a) through (4)(c) do not apply to reimbursements made under this subsection for the fiscal year
 17 of the first reimbursement but do apply to the block grant amounts in subsequent fiscal years that incorporate
 18 reimbursements added in previous fiscal years. For the purpose of this subsection, the fiscal year of the first
 19 reimbursement does not include the fiscal year in which the reimbursement under [section 1(3)(b)] is made.

20 (3) Each year, 70% of each district's block grant must be distributed in November and 30% of each
 21 district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

22 (4) (a) The block grant for the district general fund is equal to the ~~average~~ amount received in fiscal years
 23 ~~2002 and 2003~~ year 2010, except for the amount received under [section 1(3)(b)], by the district general fund from
 24 the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the
 25 block grant must be increased by 0.76% in fiscal year ~~2004~~ 2011 and in each succeeding fiscal year.

26 (b) The block grant for the district transportation fund is equal to ~~one-half of the average~~ amount received
 27 in fiscal years ~~2002 and 2003~~ year 2010, except for the amount received under [section 1(3)(b)], by the district
 28 transportation fund from the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as
 29 ~~provided in subsection (2), the~~ block grant must be increased by 0.76% in fiscal year ~~2004~~ 2011 and in each
 30 succeeding fiscal year.

1 (c) (i) The combined fund block grant is equal to the ~~average~~ amount received in fiscal years 2002 and
 2 ~~2003~~ year 2010, except for the amount received under [section 1(3)(b)], by the district tuition, bus depreciation
 3 reserve, building reserve, nonoperating, and adult education funds from the block grants provided for in
 4 ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the block grant must be increased
 5 by 0.76% in fiscal year ~~2004~~ 2011 and in each succeeding fiscal year.

6 (ii) The school district may deposit the combined fund block grant into any budgeted fund of the district.

7 (5) The funding for block grants provided for in this section is statutorily appropriated, as provided in
 8 17-7-502, from the general fund to the office of public instruction for distribution to school districts."

9
 10 **NEW SECTION. Section 12. Appropriation.** There is appropriated \$500,000 from the general fund to
 11 the department of revenue for the administration of the property tax exemption of class eight property provided
 12 for in [section 4], amending 15-6-138, for the 2011 biennium.

13
 14 **NEW SECTION. Section 13. Notification to tribal governments.** The secretary of state shall send
 15 a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
 16 Chippewa tribe.

17
 18 **NEW SECTION. Section 14. Codification instruction.** [Section 1] is intended to be codified as an
 19 integral part of Title 15, chapter 1, part 1, and the provisions of Title 15, chapter 1, part 1, apply to [section 1].

20
 21 **NEW SECTION. Section 15. Saving clause.** [This act] does not affect rights and duties that matured,
 22 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

23
 24 **NEW SECTION. Section 16. Effective dates.** (1) Except as provided in subsections (2) and (3), [this
 25 act] is effective July 1, 2009.

26 (2) [Sections 1, 2, and 4 through 10] are effective January 1, 2010.

27 (3) [Section 11] is effective July 1, 2010.

28
 29 **NEW SECTION. Section 17. Applicability.** (1) [This act] applies to property tax years beginning after
 30 December 31, 2009.

