EXHIBIT 11
DATE 1-8-09
HB Informational meeting

BUSINESS PROPERTY INCENTIVES AND EXEMPTIONS

Property Tax Incentives

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Property tax incentives generally fall into two categories: property tax abatements and property tax exemptions.

- **Property tax abatements** result in a reduction in the taxable value of the property. This is accomplished by directly reducing the taxable value of property or by applying a reduced tax rate to the property's assessed value.
- **Property tax exemptions** exclude part or all of the property value from taxation.

Property Tax Abatements - Local Options

These include:

- New or Expanding Industry
- Expanding "Value Added" Machinery and Equipment
- Reduced Rate for Remodeling of Building or Structures

New or Expanding Industries (MCA 15-24-1402)

Eligibility: If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion.

Industry includes, but is not limited to, a firm that engages in the:

- Mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States Office of Management and Budget;
- Extraction or harvesting of minerals, ore, or forestry products;
- Processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products;
- Transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state; or
- Earning of 50% or more of their annual gross income from out-of-state sales.
- Engages in the production of electric energy of one (1) megawatt or more by means of an alternative renewable energy source as defined in 90-4-102, MCA.

New means that a firm is new to the jurisdiction approving the abatement and has invested a minimum of $125,000 worth of qualifying improvements or modernized processes within the jurisdiction. Property that qualifies as new industry property under

the state option discussed above cannot qualify as new industry property under the local option.

Expanding means that the industry has added a minimum of $50,000 worth of improvements or modernized processes to its property within the same taxing jurisdiction.

The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Qualifying Property: The added improvements and/or added modernized processes.

Benefit: The tax benefit received is a percentage multiplier applied to the increase in taxable value of the qualifying improvements or modernized processes. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

First through fifth year following construction - 50%
Sixth year following construction - 60%
Seventh year following construction - 70%
Eight year following construction - 80%
Ninth year following construction - 90%
Tenth and following years - 100%

Expanding "Value-Added" Machinery and Equipment (MCA 15-24-2401 to MCA 15-24-2405)

Eligibility: If approved by the local governing bodies, an existing value-added industry that expands to include value-added machinery and equipment is entitled to receive a decrease in the tax rate for the value-added machinery and equipment.

"Value-added industry" is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the North American Industry Classification System Manual prepared by the United States Office of Management and Budget and engages in:

- Processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or the
- Processing of semi-finished products produced in Montana that is used by the industry as a raw material in further manufacturing.

The new value-added machinery and equipment must directly result in the creation of new jobs. Local governing bodies must approve by resolution the abatement.

Qualifying Property: Machinery and equipment used for value-added manufacturing and processing that result in the hiring of new full-time employees.

Benefit: The tax benefit received is a reduced tax rate to as low as 3%, for the qualifying property. The number of new full-time employees determines the amount of reduction. The tax benefit applies to the number of mills levied and assessed by each local governing body approving the benefit. The benefit also applies to statewide levies if the

governing body approving the benefit is a county, consolidated government, or incorporated city or town.

Reduced Rate for Remodeling of Building or Structures (MCA 15-24-1501)

Eligibility: Remodeling of existing buildings or structures is eligible for a reduced tax rate for five years following construction.

Qualifying Property: Remodeling, reconstruction, or expansion of existing buildings or structures, which increases their taxable value by at least 2.5%

Benefit: The tax benefit received is a percentage multiplier applied to the increase in taxable value of the qualifying improvements.

Construction period - 0%
First year following construction - 20%
Second year following construction - 40%
Third year following construction - 60%
Fourth year following construction - 80%
Fifth year following construction - 100%
Following years - 100%

Property Tax Exemptions - Local Options

These include:

- Exemption for Business Incubators
- Industrial Parks
- Suspension or Cancellation of Delinquent Taxes
- Exemption and Abatement for Remodeling or Expansion of Building or Structures
- Historic Properties
- Local Economic Development Organization
- Property on railroad land leased by nonprofit organizations

Exemption for Business Incubators (MCA 15-24-1801 thru 15-24-1802)

Eligibility: If approved by the local governing body, a business incubator owned or leased and operated by a local economic development organization is eligible for an exemption from property taxes.

"Business incubator" means a facility that leases space to and provides shared services (receptionist, copying, secretarial, etc.) and business assistance (marketing plans, business plans, accounting, administration to new businesses) in order to improve their chances of success.

"Local economic development organization" means a private nonprofit organization exempt from taxation under section 501(C)(3) or 501 (c)(6) of the Internal Revenue Code whose primary purposes are to develop the economy of its area and to provide assistance to businesses in that area.

The governing body of the affected county, consolidated government, incorporated city or town, or school district in which the property is located must have approved the tax exemption by resolution.

Qualifying Property: All real and personal property of the business incubator.

Benefit: The tax benefit received is complete exemption from the number of mills levied and assessed by the governing body approving the exemption. If the governing body approving the exemption is a county, consolidated government or incorporated city or town, the exemption applies to the state levied mills.

Industrial Parks (MCA 15-24-1901 thru 15-24-1902)

Eligibility: If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from property taxes.

"Industrial park" means property zoned for light and heavy industry. The term includes fully developed or partially developed land and improvements and undeveloped land.

"Local economic development organization" means a private, nonprofit organization exempt from taxation under section 501(C)(3) or 501 (c)(6) of the Internal Revenue Code whose primary purposes are to develop the economy of its area and to provide assistance to businesses in that area.

The governing body of the affected county, consolidated government, incorporated city or town, or school district must have approved the tax-exemption by resolution.

Qualifying Property: All real and personal property of the industrial park.

Benefit: The tax benefit received is complete exemption from the number of mills levied and assessed by the governing body approving the exemption. If the governing body approving the exemption is a county, consolidated government or incorporated city or town, the exemption applies to the state levied mills.

Suspension, Cancellation of Delinquent Taxes (MCA 15-24-1701 thru 15-24-1703)

Eligibility: If approved by the local governing body, delinquent property taxes on commercial property may be suspended to facilitate the purchase and continued operation of a business utilizing the commercial property.

Exemption and Abatement for Remodeling or Expansion of Certain Commercial Property (MCA 15-24-1502)

This abatement applies to the state mills in addition to the local mills.

Eligibility: Remodeling, reconstruction or expansion of an existing commercial building or structure is eligible for an exemption during the construction period (not to exceed 12 months) and for up to 5 years following completion of construction. The buildings and structures may receive a property tax reduction for 4 years following the exemption period.

Qualifying Property: Remodeling, reconstruction or expansion of existing commercial buildings or structures, which increases their taxable value by at least 5%. The property may not have been used in a business for at least 6 months immediately preceding the application for the benefit and the property taxes may not be delinquent.

Benefit: The tax exemption and reduction is limited to 100% of the increase in taxable value caused by remodeling, reconstruction or expansion.

Construction period (12 months or less) - 0%
Five years following completion of construction - 0%
First year following exemption period - 20%
Second year following exemption period - 40%
Third year following exemption period - 60%
Fourth year following exemption period - 80%
Following years - 100%

Historic Properties (MCA 15-24-1601 thru 15-24-1607)

Eligibility: A property that meets the design review criteria in MCA 15-24-1605 is eligible for a property tax abatement if it is:

- Located with the boundaries of a national register historic district and contributes to the district
- A newly constructed property with the boundaries of a national register historic district that meets design criteria for being architecturally compatible with the district;
- Listed individually in the National Register of Historic Places.

Qualifying Property: Properties located in a national register historic district or listed individually on the National Register of Historic Places that are restored, rehabilitated, expanded or newly constructed within the district and that meet certain design review criteria.

Benefit: An eligible property can be allowed an abatement of 100% of the taxable value increase attributed to the rehabilitation, restoration, expansion or new construction for a period of up to five years.

Local Economic Development Organization (MCA 15-24-2001 thru 15-24-2002)

Eligibility: Commercial improvements and land sold or donated to a local economic development organization for subsequent sale or lease to a profit-oriented employment-stimulating business. The property must have not been used in business for the 6 months preceding the sale or donation.

"Local economic development organization" means a private, nonprofit organization whose primary purposes are to develop the economy of an area and to provide assistance to businesses in the area.

Qualifying Property: Commercial property that has not been used in business for the 6-month period immediately preceding the donation or sale to a local economic development organization.

Benefit: If the approving governing body is a county government, consolidated government or incorporated city or town, the mills under Title 15, Chapter 10, MCA (6 mill university levy), MCA 20-9-331 (33 mill elementary equalization levy), MCA 20-9-333 (22 mill high school equalization levy) and the number of mills levied, and at the sole discretion of the approving governing body, can be exempted.

Property on railroad land leased by nonprofit organizations (MCA 15-6-227)

Eligibility: a building and land, or just the appurtenant land not exceeding 2.5 acres, owned by a railroad and leased for less than $100 per year to a nonprofit organization exempt from taxation under section 26 U.S.C 501(c)(3) or to a government entity. The building must have been constructed on a railroad right-of-way prior to 2000 and the property must be directly used for a purely public charitable purpose.

Qualifying Property: Certain property owned by a railroad and leased by a non-profit organization or a government entity.

Benefit: If all eligibility criteria are met, the building and/or land are exempt from property taxation. The property is still subject to fees and assessments for services or special improvements.