EXHIBIT 4
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SB 358

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CASCADE COUNTY

Senate Bill – 358

April 5, 2011

Chairman Blasdel and members of the House Taxation committee thank you for this opportunity to appear before you in support of Senate Bill 358. For the record my name is Joe Briggs and I am a Cascade County Commissioner. I appear before you today representing both the Cascade County Commission and the Montana Association of County Officials, Community Economic Development and Labor committee which I chair.

This bill has been brought forward by MACO, in an effort to encourage job creation and tax base expansion throughout Montana by removing some of the obstacles which prevent the use of Tax Increment funding districts in the smaller communities and counties of Montana. We are joined in this effort by the Montana League of Cities and Towns and have also worked with the Montana Association of Planners in the creation of this legislation.

As you can see from the legislative history this bill has been substantially amended since it was introduced and as such I will limit my comments to what the bill does in its current form.

Simply put, this bill is designed to accomplish three primary goals; first removing the cost barriers of redundant infrastructure in the creation of a Tax Increment District designed to accommodate different types of qualifying industries, secondly to require a comprehensive development plan for the use of TIF generated funding and third to remove the restriction that 50% of a technology based business's revenue must come from out of state in order to qualify.

The overall concept of TIF districts is simple. In order to assist in the expansion of an existing qualified business or the attraction of a new qualifying business a local government builds infrastructure such as roads, sewer and water systems. The new taxes generated by business expansion within the TIF district served by the infrastructure are captured and used to repay the cost of the infrastructure. Once the infrastructure cost is repaid, the TIF district terminates and the taxing jurisdictions begin to enjoy the benefits of an increased tax base.

During the time the TIF is active, all of the taxing jurisdictions continue to receive taxes from the parcels in the TIF district as if no improvements had occurred so they have lost no existing revenue as a result of the TIF. The companies in the district are taxed at full value of their assets as if the TIF district did not exist so there is no difference to the taxpaying company. What has changed with the adoption of a TIF district is that total taxes collected within the district minus the amount paid to the taxing districts is used to retire the infrastructure debt which allowed the business expansion to occur. This difference is referred to as the "increment' or capture".

However there are specific elements in the current laws which make it very difficult for smaller jurisdictions to participate in this type of economic development.

Under current law counties are allowed to create three types of Tax Increment Financing districts, Industrial, Technology and Aerospace. Although all three of these types of industries can physically coexist in practice, they cannot currently exist in the same TIF district and qualify for the TIF capture. Current law only allows the TIF capture of industrial defined businesses in an Industrial TIF district, only a Technology qualified business's tax increment can be captured in a Technology TIF district and only an Aerospace business's tax increment can be captured in an Aerospace district. Further current law does not allow the boundaries of the three types of districts to overlap. In essence, a community or county must either create multiple separate and distinct TIF districts each with its own infrastructure or limit itself as to which type of companies that it can attract and assist through TIF financing.

This bill merges the three types of districts into one and as such drastically reduces the redundant infrastructure and creation costs for local governments while at the same time increases the probability that they will be successful in utilizing the TIF statutes to create jobs and build tax base for themselves and the State of Montana.

TIF districts are commonly used in two cases; the first is the creation of a new area of commercial and industrial growth in which there is no specific tenant in mind, and the second is to create a development specifically for the expansion of an existing local business or the recruitment of a new business. Both are equally valid and both meet the goal of providing an environment to create new jobs and boost our economy but a lack of understanding of the second type causes it to be a point of contention with some people.

A case in point is the testimony given by the Department of Revenue on this bill in front of the Senate Tax Committee. In responding to a question about the use of TIF districts, the Department's representative categorized the Great Falls Malting Plant TIF district as unnecessary and a misuse of TIF regulations since the company had already announced the plant prior to the TIF being created.

While it is certainly true that the city did not create the TIF district until after the plant was already being built, this does not mean that the TIF was not a part of the incentive package required to attract the company to Montana. The process of putting this particular deal together involved not only the City of Great, Cascade County, Governor Martz, the Montana Department of Commerce, Fish Wildlife and Parks, the Congressional delegation, HUD and EDA, but also the Department of Revenue itself. The TIF was always a contemplated portion of the project and was always planned to be utilized to help defray the infrastructure costs.

Thank you for your attention, I will remain for any questions the committee may have.

Joe Briggs
Cascade County Commission