

HOUSE BILL NO. 383

INTRODUCED BY G. CUSTER

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4 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING FUNDING FOR THE SHERIFFS' RETIREMENT
5 SYSTEM SO IT WILL BE ACTUARIALLY SOUND; INCREASING EMPLOYEE AND EMPLOYER
6 CONTRIBUTION RATES; TERMINATING THE CONTRIBUTION INCREASES WHEN CERTAIN ACTUARIAL
7 CONDITIONS ARE MET; EXEMPTING THE EMPLOYER CONTRIBUTION INCREASE FROM THE COUNTY
8 MILL LEVY CAP; AMENDING SECTIONS 15-10-420, 19-7-403, AND 19-7-404, MCA; AND PROVIDING AN
9 EFFECTIVE DATE."

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

12
13 **Section 1.** Section 15-10-420, MCA, is amended to read:

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

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

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

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

- 1 (3) (a) For purposes of this section, newly taxable property includes:
- 2 (i) annexation of real property and improvements into a taxing unit;
- 3 (ii) construction, expansion, or remodeling of improvements;
- 4 (iii) transfer of property into a taxing unit;
- 5 (iv) subdivision of real property; and
- 6 (v) transfer of property from tax-exempt to taxable status.
- 7 (b) Newly taxable property does not include an increase in value that arises because of an increase in
- 8 the incremental value within a tax increment financing district.
- 9 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
- 10 release of taxable value from the incremental taxable value of a tax increment financing district because of:
- 11 (i) a change in the boundary of a tax increment financing district;
- 12 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or
- 13 (iii) the termination of a tax increment financing district.
- 14 (b) If a tax increment financing district terminates prior to the certification of taxable values as required
- 15 in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment
- 16 financing district terminates. If a tax increment financing district terminates after the certification of taxable values
- 17 as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.
- 18 (c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was
- 19 constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current
- 20 year market value of that property less the previous year market value of that property.
- 21 (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real
- 22 property that results in the property being taxable as class four property under 15-6-134 or as nonqualified
- 23 agricultural land as described in 15-6-133(1)(c).
- 24 (5) Subject to subsection (8), subsection (1)(a) does not apply to:
- 25 (a) school district levies established in Title 20; or
- 26 (b) a mill levy imposed for a newly created regional resource authority.
- 27 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received
- 28 under 15-6-131 and 15-6-132.
- 29 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:
- 30 (a) may increase the number of mills to account for a decrease in reimbursements; and

1 (b) may not increase the number of mills to account for a loss of tax base because of legislative action
2 that is reimbursed under the provisions of 15-1-121(7).

3 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes
4 of 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the
5 department may not exceed the mill levy limits established in those sections. The mill calculation must be
6 established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the
7 calculation must be rounded up to the nearest tenth of a mill.

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

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

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

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

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

13 (v) a levy for the support of a newly established regional resource authority;

14 (vi) the portion that is the amount in excess of the base contribution of a governmental entity's property
15 tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703; ~~or~~

16 (vii) a levy for reimbursing a county for costs incurred in transferring property records to an adjoining
17 county under 7-2-2807 upon relocation of a county boundary; or

18 (viii) a levy used to fund the sheriffs' retirement system under 19-7-404(2)(b).

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

21 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402,
22 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
23 authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating
24 funds by a county or municipality during that time.

25 (11) The department may adopt rules to implement this section. The rules may include a method for
26 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
27 improvements, or newly taxable value in a governmental unit."
28

29 **Section 2.** Section 19-7-403, MCA, is amended to read:

30 **"19-7-403. Member's contributions deducted.** (1) (a) Each Subject to subsection (1)(b), each

1 member's contribution is ~~9.245%~~ 10.245% of the member's compensation.

2 (b) The member's contribution required under subsection (1) must be reduced to 9.245% on July 1
3 following the board's receipt of the system's actuarial valuation if:

4 (i) the actuarial valuation determines that the period required to amortize the system's unfunded
5 liabilities, including adjustments that become effective after the valuation, is less than 25 years; and

6 (ii) reducing the member contributions and terminating the additional employer contributions pursuant
7 to 19-7-404(4)(b) would not cause the system's amortization period as of the most recent actuarial valuation to
8 exceed 25 years.

9 (2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954, as
10 amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable by the
11 member under subsection (1) for service rendered after June 30, 1985.

12 (3) The member's contributions picked up by the employer must be designated for all purposes of the
13 retirement system as the member's contributions, except for the determination of a tax upon a distribution from
14 the retirement system. These contributions must become part of the member's accumulated contributions but
15 must be accounted for separately from those previously accumulated.

16 (4) The member's contributions picked up by the employer must be payable from the same source as
17 is used to pay compensation to the member and must be included in the member's wages, as defined in
18 19-1-102, and salary as used to define the member's highest average compensation in 19-7-101. The employer
19 shall deduct from the member's compensation an amount equal to the amount of the member's contributions
20 picked up by the employer and remit the total of the contributions to the board."

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22 **Section 3.** Section 19-7-404, MCA, is amended to read:

23 **"19-7-404. Employer contributions.** (1) Each employer shall pay 9.535% of the compensation paid to
24 all of the employer's employees plus any additional contribution under subsection (3), except for those employees
25 properly excluded from membership.

26 (2) (a) If the required contribution to the retirement system exceeds contributions under subsections (1)
27 and (3)(a) exceed the funds available to a county from general revenue sources, a county may, subject to
28 15-10-420, budget, levy, and collect annually a tax on the taxable value of all taxable property within the county
29 that is sufficient to raise the amount of revenue needed to meet the county's obligation.

30 (b) (i) A county may impose a mill levy to fund the employer contribution required under subsection

1 (3)(b). The mill levy is not subject to 15-10-420(1) or to approval at an election under 15-10-425.

2 (ii) Each year prior to implementing a levy under subsection (2)(b)(i), after notice of the hearing given
3 under 7-1-2121, a public hearing must be held regarding any proposed increase.

4 (iii) If a levy pursuant to this subsection (2)(b) is decreased or ceases to be levied, the revenue may not
5 be combined with the revenue determined in 15-10-420(1)(a).

6 (3) Subject to subsection (4), each employer shall contribute to the system ~~an~~ additional employer
7 ~~contribution~~ contributions equal to:

8 (a) 0.58% of the compensation paid to all of the employer's employees, except for those employees
9 properly excluded from membership; and

10 (b) 3% of the compensation paid to all of the employer's employees, except for those employees properly
11 excluded from membership.

12 (4) (a) The board shall periodically review the additional employer ~~contribution~~ contributions provided
13 for under subsection (3) and recommend adjustments to the legislature as needed to maintain the amortization
14 schedule set by the board for payment of the system's unfunded liabilities.

15 (b) The employer ~~contribution~~ contributions required under subsection (3) ~~terminates~~ terminate on July
16 1 following the board's receipt of the system's actuarial valuation if:

17 (i) the actuarial valuation determines that the period required to amortize the system's unfunded
18 liabilities, including adjustments made for any benefit enhancements ~~enacted by the legislature~~ that become
19 effective after the valuation, is less than 25 years; and

20 (ii) terminating the additional employer contributions and reducing the member contributions
21 pursuant to 19-7-403(1)(b) would not cause the amortization period ~~as of the most recent actuarial valuation~~ to
22 exceed 25 years."

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24 NEW SECTION. Section 4. Effective date. [This act] is effective July 1, 2017.

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