

HOUSE BILL NO. 195

INTRODUCED BY D. FERN

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4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING A MUNICIPALITY, A CONSOLIDATED  
5 CITY-COUNTY, A COUNTY, OR A LOCAL OPTION INFRASTRUCTURE TAX DISTRICT, BY VOTE OF THE  
6 ELECTORATE, TO ADOPT A LOCAL OPTION INFRASTRUCTURE TAX ON LUXURY GOODS AND LUXURY  
7 SERVICES; PROVIDING THAT LOCAL OPTION INFRASTRUCTURE TAX REVENUE MAY BE USED FOR  
8 CRITICAL INFRASTRUCTURE PROJECTS; DEFINING "LUXURY GOODS" AND "LUXURY SERVICES" THAT  
9 MAY BE TAXED; PROVIDING THAT AN EXISTING RESORT TAX IMPOSED BY A RESORT COMMUNITY,  
10 RESORT AREA, OR RESORT AREA DISTRICT MAY REMAIN IN EFFECT OR MAY BE DISCONTINUED;  
11 PROVIDING FOR A PORTION OF LOCAL OPTION INFRASTRUCTURE TAX REVENUE TO BE USED FOR  
12 PROPERTY TAX RELIEF FOR CLASS FOUR PROPERTY TAXPAYERS; AMENDING SECTIONS 7-7-4424  
13 AND 7-7-4428, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

14

15 WHEREAS, the state of Montana faces billions of dollars in critical infrastructure investment needs; and  
16 WHEREAS, the cities, towns, and counties in Montana bear the responsibility for the construction,  
17 improvement, maintenance, and operation of most drinking water systems, wastewater treatment facilities, sewer  
18 systems, streets, roads, and bridges; and

19 WHEREAS, local governments in Montana have limited tools for generating the necessary funding to  
20 adequately construct, improve, maintain, and operate these critical infrastructure systems; and

21 WHEREAS, the Legislature seeks to address these critical infrastructure improvements through  
22 public-private coordination and collaboration to construct, improve, maintain, and operate these systems in the  
23 most cost-effective, experienced, and efficient manner possible to achieve the greatest benefit from increased  
24 revenues targeted at critical infrastructure needs; and

25 WHEREAS, the Legislature acknowledges the value of private sector construction contractors,  
26 engineering firms, land surveying firms, and architectural firms to Montana's state and local economies through  
27 the contribution of knowledge and innovation, competitive bidding, tax revenue, and job creation; and

28 WHEREAS, the Legislature further acknowledges that many other Montana businesses, such as  
29 suppliers, hotels, and fuel dealers, depend on private sector contractors and professional services firms; and

30 WHEREAS, the Legislature acknowledges that these private sector businesses provide the technical



1 expertise and local knowledge to efficiently deliver infrastructure projects; and

2 WHEREAS, the Legislature encourages municipalities and counties to take full advantage of private  
3 sector design and construction capabilities to create jobs and to efficiently deliver critical infrastructure projects  
4 funded in whole or in part with the revenue generated by local option infrastructure taxes.

5

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

7

8 NEW SECTION. **Section 1. Short title.** [Sections 1 through 25] may be cited as the "Local Option  
9 Infrastructure and Property Tax Relief Act".

10

11 NEW SECTION. **Section 2. Local option infrastructure tax -- definitions.** As used in [sections 1  
12 through 25], the following definitions apply:

13 (1) "Board of directors" means the board of directors of a local option infrastructure tax district.

14 (2) (a) "Critical infrastructure project" means the construction, improvement, maintenance, or operation  
15 of local capital improvement and development that drives continued economic growth, including streets, roads,  
16 sidewalks, bicycle trails, pedestrian trails, bridges, water supply, wastewater treatment, sewer, and other locally  
17 prioritized public facilities identified in a petition provided for in [section 5(3)].

18 (b) The term does not include the construction, ownership, or operation of a broadband network.

19 (3) "Governing body" means:

20 (a) the governing body of a municipality, consolidated city-county, or county in which a local option  
21 infrastructure tax is proposed or approved; or

22 (b) if the qualified electors establish a local option infrastructure tax district, the district board of directors.

23 (4) "Local option infrastructure tax district" means a district created under [sections 11 through 25] that  
24 consists of:

25 (a) a contiguous unincorporated area within a county; or

26 (b) a contiguous area that includes one or more municipalities and may include unincorporated areas  
27 contiguous to the municipality or municipalities.

28 (5) (a) "Luxury good" means a gift item, luxury item, or other item normally sold to the public or to  
29 transient visitors or tourists.

30 (b) The term does not include:

- 1 (i) food purchased unprepared, unserved, and primarily for off-premises consumption;
- 2 (ii) medicine or medical supplies;
- 3 (iii) appliances, hardware supplies, or tools;
- 4 (iv) motor vehicles or the sale, lease, loan, or provision of any item, product, or service by a franchise as
- 5 that term is defined in 61-4-201;
- 6 (v) gasoline or special fuel; or
- 7 (vi) any necessities of life.
- 8 (6) (a) "Luxury service" means a service normally sold to the public or to transient visitors or tourists,
- 9 including:
- 10 (i) a rental motor vehicle;
- 11 (ii) services sold by hotels, motels, or other lodging or camping facilities;
- 12 (iii) food served prepared by a restaurant, fast food store, or other food service establishment;
- 13 (iv) food and drinks served by taverns, bars, nightclubs, lounges, or other public establishments that
- 14 serve beer, wine, liquor, or other alcoholic beverages by the drink; and
- 15 (v) services provided by a destination ski resort or other destination recreational services and facilities.
- 16 (b) The term does not include:
- 17 (i) medical services;
- 18 (ii) the sale, lease, loan, or provision of any item, product, or service by a franchise as that term is defined
- 19 in 61-4-201; or
- 20 (iii) electric, natural gas, water, or similar utility services, or telecommunications, broadband, or cable
- 21 television services.
- 22 (7) "Medical supplies" means items that are sold to be used for curative, prosthetic, or medical
- 23 maintenance purposes, whether or not prescribed by a physician.
- 24 (8) "Medicine" means substances sold for curative or remedial properties, including both
- 25 physician-prescribed and over-the-counter medications.
- 26 (9) "Motor vehicle" means a self-propelled or towed vehicle designed for personal or commercial use,
- 27 including but not limited to an automobile, truck, motorcycle, recreational vehicle, all-terrain vehicle, snowmobile,
- 28 camper, boat, or personal watercraft or a trailer used to transport a motorcycle, boat, camper, or personal
- 29 watercraft.
- 30 (10) "Rental motor vehicle" means the rental of a motor vehicle defined in subsection (9).

1  
2           **NEW SECTION. Section 3. Local option taxing authority -- specific delegation.** (1) As required by  
3 7-1-112, [sections 1 through 25] specifically delegate to the qualified electors of each respective municipality,  
4 consolidated city-county, county, or local option infrastructure tax district the power to authorize their municipality,  
5 consolidated city-county, county, or local option infrastructure tax district to impose a local option infrastructure  
6 tax within the corporate boundary of the municipality, within the boundary of the consolidated city-county or  
7 county, or within the local option infrastructure tax district.

8           (2) The power to impose a local option infrastructure tax does not include the power to levy a franchise  
9 fee on utilities or cooperatives based on their revenue.

10  
11           **NEW SECTION. Section 4. Limit on local option infrastructure tax rate -- goods and services**  
12 **subject to tax.** (1) The rate of a local option infrastructure tax must be established by the election petition or  
13 resolution provided for in [section 5], but the rate may not exceed 2%.

14           (2) (a) Except as provided in subsection (2)(b), a local option infrastructure tax is a tax on the retail value  
15 of all luxury goods and luxury services sold, except for goods and services sold for resale, within a municipality,  
16 consolidated city-county, county, or local option infrastructure tax district.

17           (b) The local option infrastructure tax is levied on the first \$500 in value of luxury goods.

18           (3) Establishments that sell luxury goods or luxury services shall collect a tax on the luxury goods or  
19 luxury services.

20  
21           **NEW SECTION. Section 5. Local option infrastructure tax -- election required -- procedure --**  
22 **notice.** (1) A municipality, consolidated city-county, county, or local option infrastructure tax district may not  
23 impose or, except as provided in [section 7], amend or repeal a local option infrastructure tax unless the local  
24 option infrastructure tax question has been submitted to the electorate of the municipality, consolidated  
25 city-county, county, or proposed local option infrastructure tax district and approved by the electors voting on the  
26 question as provided in [section 6].

27           (2) The local option infrastructure tax question may be presented to the electors of:

28           (a) a municipality by a petition of the electors, as provided in 7-1-4130, 7-5-131 through 7-5-135, and  
29 7-5-137, or by a resolution of the governing body of the municipality;

30           (b) a county by a petition of electors, as provided in 7-5-131 through 7-5-135 and 7-5-137, or by a

1 resolution of the board of county commissioners;

2 (c) a consolidated city-county by a petition of electors, as provided in 7-5-131 through 7-5-135 and  
3 7-15-137, or by resolution of the governing body of the consolidated city-county; or

4 (d) a proposed local option infrastructure tax district by a petition of electors, as provided in [section 12].

5 (3) The petition or resolution referring the local option infrastructure tax question must state:

6 (a) the rate of the local option infrastructure tax;

7 (b) the duration of the local option infrastructure tax, which may not exceed 20 years, by:

8 (i) establishing an automatic sunset date;

9 (ii) referencing a revenue bond payoff schedule; or

10 (iii) referencing completion of a specified project or projects;

11 (c) the date the local option infrastructure tax becomes effective, which may not be earlier than 90 days  
12 after the election; and

13 (d) the purposes that may be funded by the local option infrastructure tax revenue.

14 (4) Upon passage of a resolution or upon receipt of an adequate petition, the governing body or, for a  
15 proposed local option infrastructure tax district, the entity described in [section 15] shall:

16 (a) call a special election on the local option infrastructure tax question; or

17 (b) place the local option infrastructure tax question on the ballot at the next regularly scheduled election.

18 (5) Except as provided in subsection (6), notice of the election must be accomplished as provided in  
19 13-1-108 and must include the information contained in subsection (3) of this section.

20 (6) An election for a proposed local option infrastructure tax district must be conducted and noticed as  
21 provided in [section 15].

22 (7) The question of the imposition of a local option infrastructure tax may not be placed before the  
23 electors more than once every 2 years.

24

25 **NEW SECTION. Section 6. Determination of approval or rejection of local option infrastructure**

26 **tax.** (1) A local option infrastructure tax question, including the imposition, amendment, or repeal of a local option  
27 infrastructure tax, is determined as follows:

28 (a) The city clerk, county clerk, or entity identified in [section 15] shall:

29 (i) determine the total number of electors of the municipality, consolidated city-county, county, or  
30 proposed local option infrastructure tax district who are qualified to vote from the list of electors supplied by the

1 city clerk or county clerk on the local option infrastructure tax question;

2 (ii) determine the total number of qualified electors voting at the local option infrastructure tax election  
3 from the tally sheets for the election; and

4 (iii) calculate the percentage of qualified electors voting at the local option infrastructure tax election by  
5 dividing the amount determined in subsection (1)(a)(ii) by the amount determined in subsection (1)(a)(i).

6 (b) When the percentage calculated according to subsection (1)(a)(iii) is:

7 (i) 40% or more, the local option infrastructure tax question is approved if a majority of the votes were  
8 cast in favor of the question and is rejected if less than a majority were cast in favor;

9 (ii) more than 30% but less than 40%, the local option infrastructure tax question is approved if 60% or  
10 more of the votes were cast in favor of the question and is rejected if less than 60% were cast in favor; or

11 (iii) 30% or less, the local option infrastructure tax question is rejected.

12 (2) If the canvass of the vote establishes the approval of the local option infrastructure tax question, the  
13 city clerk, county clerk, or entity identified in [section 15] shall issue a certificate proclaiming the approval of the  
14 local option infrastructure tax question.

15  
16 **NEW SECTION. Section 7. Local option infrastructure tax administration.** (1) Not less than 30 days  
17 prior to the date that the local option infrastructure tax becomes effective, the governing body shall enact an  
18 administrative ordinance governing the collection and reporting of the local option infrastructure tax. The  
19 administrative ordinance may be amended at any time as needed to effectively administer the local option  
20 infrastructure tax.

21 (2) The administrative ordinance must specify:

22 (a) the times that local option infrastructure taxes collected by businesses are to be remitted to the  
23 governing body;

24 (b) the office, officer, or employee of the governing body responsible for receiving and accounting for  
25 the local option infrastructure tax receipts;

26 (c) the office, officer, or employee of the governing body responsible for enforcing the collection of the  
27 local option infrastructure taxes and the methods and procedures to be used in enforcing the collection of local  
28 option infrastructure taxes due; and

29 (d) the penalties for failure to report local option infrastructure taxes due, failure to remit taxes due, and  
30 violations of the administrative ordinance. The penalties may include:

- 1 (i) criminal penalties not to exceed a fine of \$1,000 or 6 months' imprisonment, or both;
- 2 (ii) if the governing body prevails in a suit for the collection of local option infrastructure taxes, civil  
3 penalties not to exceed 50% of the local option infrastructure taxes found due plus the costs and attorney fees  
4 incurred by the governing body in the action;
- 5 (iii) revocation of a county or municipal business license held by the offender; and
- 6 (iv) any other penalties that may apply for violation of an ordinance.
- 7 (3) The administrative ordinance may include:
- 8 (a) further clarification and specificity in the categories of luxury goods and luxury services that are  
9 subject to the local option infrastructure tax consistent with [section 4];
- 10 (b) authorization for business administration and prepayment discounts, including allowing each vendor  
11 and commercial establishment to:
- 12 (i) withhold up to 5% of the local option infrastructure taxes collected to defray the costs of administering  
13 the tax collection; or
- 14 (ii) receive a refund of up to 5% of the local option infrastructure tax payment received from the vendor  
15 or establishment by the governing body 10 days prior to the collection due date established by the administrative  
16 ordinance; and
- 17 (c) other administrative details needed to efficiently and effectively administer the tax.

18

19 **NEW SECTION. Section 8. Use of local option infrastructure tax revenue -- bond issue -- pledge.**

20 (1) Unless otherwise restricted by the voter-approved tax authorization provided for in [section 5], a municipality,  
21 consolidated city-county, county, or local option infrastructure tax district may appropriate and expend revenue  
22 derived from a local option infrastructure tax for any critical infrastructure project and any costs resulting from the  
23 imposition of the tax. The municipality, consolidated city-county, county, or local option infrastructure tax district  
24 may share local option infrastructure tax revenue with another municipality, consolidated city-county, county, or  
25 local option infrastructure tax district through an interlocal agreement.

26 (2) (a) A municipality, consolidated city-county, or county may issue bonds to provide, install, or construct  
27 any of the critical infrastructure projects authorized under subsection (3) as provided for under 7-7-4101,  
28 7-7-4404, and 7-12-4102.

29 (b) A local option infrastructure tax district may issue bonds as provided in [section 18].

30 (3) Bonds issued under this section must be authorized by a resolution of the governing body stating the

1 purposes, amounts, terms, conditions, and covenants of the municipality, consolidated city-county, or county that  
2 the governing body considers appropriate. The bonds may be sold at a discount at a public or private sale.

3 (4) For repayment of bonds issued under this section, a municipality, consolidated city-county, or county  
4 may pledge the revenue derived from a local option infrastructure tax or special assessments levied for and  
5 revenue collected from the critical infrastructure projects for which the bonds are issued. The bonds do not  
6 constitute debt for purposes of any statutory debt limitation provided that, in the resolution authorizing the  
7 issuance of the bonds, the municipality, consolidated city-county, or county determines that the local option  
8 infrastructure tax revenue or special assessments levied for and revenue from the critical infrastructure projects  
9 pledged to the payment of the bonds will be sufficient in each year to pay the principal and interest of the bonds  
10 when due.

11 (5) Bonds may not be issued that pledge proceeds of the local option infrastructure tax for repayment  
12 unless the municipality, consolidated city-county, or county in the resolution authorizing issuance of the bonds  
13 determines that in any fiscal year the annual revenue expected to be derived from the local option infrastructure  
14 tax less the amount required to provide rebates pursuant to [section 9] equals at least 125% of the average  
15 amount of the principal and interest payable from the local option infrastructure tax on the bonds and any other  
16 outstanding bonds payable from the local option infrastructure tax, except any bonds to be refunded upon the  
17 issuance of the proposed bonds.

18  
19 **NEW SECTION. Section 9. Property tax relief.** (1) A municipality, a consolidated city-county, a county,  
20 or a local option infrastructure tax district that authorizes a local option infrastructure tax pursuant to [sections 1  
21 through 25] shall provide rebates for property taxes paid on class four property as provided for in 15-6-134. The  
22 rebates must total 25% or more of the local option infrastructure tax revenue collected during the preceding tax  
23 year.

24 (2) The rebates must be calculated by:

25 (a) determining the ratio of class four residential property taxable value to the total class four taxable  
26 value of the municipality, consolidated city-county, county, or local option infrastructure tax district and  
27 determining the ratio of class four commercial property taxable value to the total class four taxable value of the  
28 municipality, consolidated city-county, county, or local option infrastructure tax district;

29 (b) applying the ratios determined pursuant to subsection (2)(a) to the amount of local option  
30 infrastructure tax revenue designated for rebates to determine the amount of tax revenue available for class four



1 residential property rebates and the amount of tax revenue available for class four commercial property rebates;  
2 (c) dividing the amount of tax revenue available for class four residential property rebates by the number  
3 of class four residential parcels and dividing the amount of tax revenue available for class four commercial  
4 property rebates by the number of class four commercial parcels. The dollar amount of the rebate for each class  
5 four residential parcel must be equal, and the dollar amount of the rebate for each class four commercial parcel  
6 must be equal.

7 (3) (a) Except as provided in subsections (3)(b) and (4), the rebate must be a credit against property  
8 taxes due for the current tax year to the municipality, consolidated city-county, or county that authorizes the local  
9 option infrastructure tax.

10 (b) If the local option infrastructure tax is approved for a local option infrastructure tax district, the rebate  
11 must be a credit against property taxes due for the current tax year to the county in which the local option  
12 infrastructure tax district is located.

13 (4) If taxes are delinquent, the rebate must be applied to the delinquent taxes.  
14

15 **NEW SECTION. Section 10. Coordination with other local option taxes.** (1) More than one local  
16 option infrastructure tax may not be imposed in the same geographic area.

17 (2) A local option infrastructure tax may not be imposed by a municipality, a consolidated city-county,  
18 a county, or a local option infrastructure tax district in a resort community, resort area, or resort area district that  
19 existed before [the effective date of this act]. However, an existing resort community, resort area, or resort area  
20 district may elect to terminate its resort tax and subject itself to a local option infrastructure tax imposed by a  
21 municipality, a consolidated city-county, a county, or a local option infrastructure tax district.

22 (3) If a municipality, local option infrastructure tax district, resort area, resort community, or resort area  
23 district imposes a local option infrastructure tax or a resort tax in a portion of a county, the county may impose  
24 a local option infrastructure tax as provided in [sections 1 through 25] in the portion of the county that is not  
25 subject to the local option infrastructure tax or resort tax already imposed.  
26

27 **NEW SECTION. Section 11. Local option infrastructure tax district authorized.** The qualified  
28 electors of a proposed local option infrastructure tax district may create a local option infrastructure tax district  
29 by proceeding under the provisions of [sections 12 through 25].  
30

1            **NEW SECTION. Section 12. Petition to create local option infrastructure tax district.** (1) The  
2 qualified electors of a proposed local option infrastructure tax district may present, at a regular meeting, a petition  
3 requesting the establishment of a local option infrastructure tax district as provided in this section.

4            (2) (a) If the proposed local option infrastructure tax district is an unincorporated area, the petition must  
5 be presented to the board of county commissioners of the county in which the proposed local option infrastructure  
6 tax district is located.

7            (b) If the proposed local option infrastructure tax district includes one or more municipalities, the petition  
8 must be presented to the city council or city commission of each municipality included in the proposed district.

9            (3) The petition must be signed by at least 10% of the qualified electors of the proposed local option  
10 infrastructure tax district.

11           (4) The petition must include a description or map of the proposed local option infrastructure tax district  
12 boundaries.

13

14           **NEW SECTION. Section 13. Local option infrastructure tax district -- notice of petition -- hearing**  
15 **required.** (1) (a) The board of county commissioners shall publish the text of the petition described in [section  
16 12], as provided in 7-1-2121, in the county in which the proposed local option infrastructure tax district lies and  
17 shall publish the date, time, and place that a public hearing on the petition will be held.

18           (b) The city council or city commission shall publish the text of the petition described in [section 12], as  
19 provided in 7-1-4127, in a municipality to be included in the proposed local option infrastructure tax district and  
20 shall publish the date, time, and place that a public hearing on the petition will be held.

21           (2) In addition to the requirements in subsection (1), the board of county commissioners shall publish the  
22 text of the petition described in [section 12] in a newspaper of general circulation in the county within which the  
23 proposed local option infrastructure tax district lies and the city council or city commission shall publish the text  
24 of the petition described in [section 12] in a newspaper of general circulation in a municipality proposed to be  
25 included in the local option infrastructure tax district.

26           (3) A person wishing to comment on the creation of the proposed local option infrastructure tax district  
27 may file, by first-class mail or otherwise, comments with the clerk and recorder of the county in which the  
28 proposed local option infrastructure tax district lies or with the city clerk of a municipality to be included in the  
29 proposed local option infrastructure tax district.

30

1            **NEW SECTION. Section 14. Local option infrastructure tax district -- hearing on petition.** (1) At  
2 the hearing for which notification has occurred under [section 13], the board of county commissioners or the city  
3 council or city commission shall accept comments supporting and opposing the petition. The board of county  
4 commissioners or the city council or city commission may adjourn the hearing from time to time, but the hearing  
5 must be completed within 4 weeks of its commencement.

6            (2) Upon concluding the hearing on the petition, the board of county commissioners or the city council  
7 or city commission shall determine whether the petition complies with the requirements of [sections 12 through  
8 25] and enter its determination into the minutes of a regularly scheduled meeting.

9  
10           **NEW SECTION. Section 15. Local option infrastructure tax district -- election required -- notice.**

11 (1) Upon a determination that the petition complies with the provisions of [sections 12 through 25]:

12            (a) the board of county commissioners of the county in which the proposed local option infrastructure  
13 tax district lies shall conduct an election in accordance with Title 13, chapter 1, part 5, if the proposed district  
14 includes only unincorporated areas; or

15            (b) a city council or city commission to be included in the proposed local option infrastructure tax district  
16 shall conduct an election in accordance with Title 13, chapter 1, part 5, if the proposed district includes a  
17 municipality. If the proposed district includes more than one municipality, the municipalities shall coordinate on  
18 conducting the election.

19            (2) Notice of the election must be made as provided in 13-1-108 and must:

20            (a) describe the purpose of the proposed local option infrastructure tax district; and

21            (b) state the name of the proposed local option infrastructure tax district, which must include the words  
22 "local option infrastructure tax district".

23  
24           **NEW SECTION. Section 16. Resolution creating local option infrastructure tax district upon**

25 **favorable vote.** (1) If a majority of the votes cast on the question of creating a local option infrastructure tax  
26 district are in favor of creating the local option infrastructure tax district, the board of county commissioners or  
27 the city council or city commission shall enter into its minutes an order, by resolution, creating the local option  
28 infrastructure tax district.

29            (2) Immediately following adoption of the resolution creating the local option infrastructure tax district, the  
30 board of county commissioners or the city council or city commission shall file with the secretary of state and the

1 county clerk and recorder or city clerk a copy of the resolution.

2

3 **NEW SECTION. Section 17. General powers of local option infrastructure tax district.** (1) A local

4 option infrastructure tax district may:

- 5 (a) have perpetual succession;
- 6 (b) sue and be sued in a court of competent jurisdiction;
- 7 (c) acquire by any legal means real and personal property necessary to the full exercise of its powers;
- 8 (d) make contracts, employ labor, and do all acts necessary for the full exercise of its powers; and
- 9 (e) issue and repay bonds as provided in 7-6-1542.

10 (2) (a) Subject to subsection (2)(b), the board of directors for a local option infrastructure tax district that  
11 does not have perpetual succession may submit the question of extension of the term of the local option  
12 infrastructure tax district directly to the qualified electors in an election conducted in accordance with Title 13,  
13 chapter 1, part 5. If the electorate extends the term of the local option infrastructure tax district, the provisions of  
14 [sections 1 through 25] continue to apply.

15 (b) The board of directors may not submit a question to the qualified electors to extend the term of a local  
16 option infrastructure tax district until the expiration of at least one-half of the existing term of the local option  
17 infrastructure tax, as provided for in [section 4]. If a vote to extend the term fails, successive votes to extend the  
18 term may be taken no more than once each year.

19 (3) The board of directors may exercise the powers described in [sections 12 through 25].

20

21 **NEW SECTION. Section 18. Local option infrastructure tax district board powers related to local**  
22 **option infrastructure tax revenue -- bonds -- election -- restrictions.** (1) The board of directors of a local

23 option infrastructure tax district may:

- 24 (a) appropriate and expend revenue from a local option infrastructure tax for any activity, undertaking,  
25 or administrative service authorized in the resolution creating a local option infrastructure tax and adopting a local  
26 option infrastructure tax;
- 27 (b) adopt administrative ordinances necessary to aid in the collection or reporting of local option  
28 infrastructure tax and in the expenditure of local option infrastructure tax revenue; and
- 29 (c) except as provided in subsection (2), if approved by four of the five board members, issue bonds to  
30 provide, install, or construct any of the public facilities, improvements, or capital projects authorized as provided

1 in subsection (1)(a) and pledge for repayment of the bonds the revenue derived from the local option  
2 infrastructure tax.

3 (2) A local option infrastructure tax district may not issue bonds to construct a single-purpose public  
4 facility, improvement, or capital project in an amount exceeding \$500,000 without the approval of a majority of  
5 the qualified electors voting at an election conducted in accordance with Title 13, chapter 1, part 5.

6 (3) The provisions of [section 8(3)] apply to the issuance of bonds by a local option infrastructure tax  
7 district, and the projected useful life of the public facilities, improvements, or capital projects must have been  
8 determined by the board of directors to be greater than the term of the bonds that were issued to construct the  
9 public facilities, improvements, or capital projects.

10 (4) Local option infrastructure tax revenue that is pledged by a local option infrastructure tax district to  
11 the repayment of bonds must be sufficient to pay the principal and interest on the bonds in each year when the  
12 principal and interest are due. Bonds do not constitute debt for the purpose of any statutory debt limitation. A local  
13 option infrastructure tax district may not issue bonds pledging proceeds of the local option infrastructure tax for  
14 repayment unless the board of directors in the resolution authorizing issuance of the bonds determines that the  
15 annual principal and interest payment on the bonds issued will not cumulatively exceed 25% of the average of  
16 local option infrastructure tax revenue received by the district during the preceding 5 years. Bonds may not be  
17 issued for a term longer than the remaining duration of the local option infrastructure tax district.

18  
19 **NEW SECTION. Section 19. Local option infrastructure tax district governed by board --**  
20 **composition -- qualifications -- term of office.** (1) The board of directors is the governing body of the local  
21 option infrastructure tax district and is composed of five members, to be elected as provided in [section 20].

22 (2) To qualify for the board of directors, a person must be a resident of the local option infrastructure tax  
23 district.

24 (3) Directors shall serve for a term of 4 years from the date of their election, except, of the directors  
25 elected at the first election, three directors shall serve for a term of 2 years and two shall serve for a term of 4  
26 years.

27 (4) At the first meeting of the board, the directors shall determine by lot which of them shall serve the  
28 terms of less than 4 years. Each succeeding term is 4 years.

29  
30 **NEW SECTION. Section 20. Local option infrastructure tax district board -- vacancy.** (1) If a

1 vacancy on the board of directors occurs by death, resignation, or removal from the local option infrastructure  
 2 tax district, the remaining directors shall appoint a director to fill the vacancy. The term of the appointment  
 3 coincides with the term that became vacant.

4 (2) An appointee to the board of directors must be elected by a majority of those voting at an election  
 5 conducted in accordance with Title 13, chapter 1, part 5, as soon as possible following the appointment. If an  
 6 appointee does not receive a majority of the votes cast in the election, the appointee's term expires and the board  
 7 shall initiate the process to fill the vacancy as provided in subsection (1).

8  
 9 **NEW SECTION. Section 21. Local option infrastructure tax district board -- meetings.** (1) The  
 10 board of directors shall meet at a regularly scheduled time and place. The board of directors shall provide public  
 11 notice of any change in the time and place of the board meetings.

12 (2) All board of directors meetings are open to the public unless, under the terms of Article II, section 9,  
 13 of the Montana constitution or 2-3-203, the presiding officer determines that the demands of individual privacy  
 14 clearly exceed the merits of public disclosure.

15 (3) A majority of the board of directors constitutes a quorum for the transaction of business.

16 (4) The board of directors may act only by ordinance or resolution.

17  
 18 **NEW SECTION. Section 22. Referendum to dissolve local option infrastructure tax district.** (1)  
 19 On receipt of a petition to dissolve a local option infrastructure tax district that has been signed by more than 50%  
 20 of the qualified electors of the local option infrastructure tax district, the board of directors shall set a date for a  
 21 public hearing on dissolution of the local option infrastructure tax district. The hearing date must be at least 45  
 22 days and no more than 60 days after the date on which the board schedules the date of the hearing. A notice of  
 23 the public hearing on dissolution must be published as provided in 7-1-2121. The published notice must include  
 24 notice to creditors of the local option infrastructure tax district to present claims owed by the local option  
 25 infrastructure tax district to the board of directors prior to the date set for the dissolution hearing.

26 (2) After the hearing, the board of directors shall submit the question of the local option infrastructure tax  
 27 district's dissolution to a vote of the qualified electors voting in an election conducted in accordance with Title 13,  
 28 chapter 1, part 5.

29  
 30 **NEW SECTION. Section 23. Resolution dissolving local option infrastructure tax district upon**

1 **favorable vote.** (1) If the question of dissolving a local option infrastructure tax district is approved as provided  
2 in [section 6], the board of county commissioners or the city council or city commission shall enter into its minutes  
3 an order, by resolution, dissolving the local option infrastructure tax district. The resolution must contain, explicitly  
4 or by reference, an orderly plan of dissolution.

5 (2) Immediately following adoption of the resolution dissolving the local option infrastructure tax district,  
6 the board of county commissioners or the city council or city commission shall file with the secretary of state and  
7 the county clerk and recorder or city clerk a copy of the resolution.

8 (3) The local option infrastructure tax district is dissolved as provided in the plan of dissolution.

9

10 **NEW SECTION. Section 24. Annexation of property into local option infrastructure tax district**

11 **-- election.** (1) Property may be annexed into a local option infrastructure tax district as provided in this section.

12 (2) The board of directors may recommend that property contiguous to an existing local option  
13 infrastructure tax district be annexed into the local option infrastructure tax district.

14 (3) If the board of directors recommends annexation, the board shall submit its recommendation to the  
15 board of county commissioners or the city council or city commission, along with a description or map of the  
16 existing district and a description or map of the area proposed to be annexed.

17 (4) The board of county commissioners or the city council or city commission shall give notice as required  
18 in 13-1-108 of the election to be held in the area proposed to be annexed. The election must be held in  
19 accordance with Title 13, chapter 1, part 5.

20 (5) If the question of annexation of the property into the local option infrastructure tax district is approved  
21 as provided in [section 6], the board of county commissioners or the city council or city commission shall enter  
22 into its minutes an order, by resolution, annexing the property into the district and shall cause to be created a map  
23 of the district that includes the annexed area. Immediately following the adoption of the resolution, the board of  
24 county commissioners or the city council or city commission shall file with the secretary of state and the county  
25 clerk and recorder or city clerk a copy of the resolution and the map.

26 (6) The secretary of state shall issue a certificate of incorporation as provided in 7-6-1540.

27 (7) The board of directors that governed the district before annexation shall continue to operate, and the  
28 members shall continue to serve the members' terms. Upon occurrence of a vacancy or the expiration of a  
29 member's term, residents of the area that has been annexed are eligible for election or appointment to the board  
30 of directors under the provisions of [sections 19 through 21].

1  
 2           **NEW SECTION. Section 25. Local option infrastructure tax advisory committee.** (1) A municipality,  
 3 consolidated city-county, or county that levies a local option infrastructure tax and a local option infrastructure  
 4 tax district shall appoint an advisory committee to make recommendations about the local option infrastructure  
 5 tax as provided in this section.

6           (2) The governing body shall appoint at least five members to the advisory committee. The members  
 7 must be residents of the municipality, consolidated city-county, county, or local option infrastructure tax district  
 8 that is levying the local option infrastructure tax and must include nongovernmental entities, such as  
 9 representatives of the business community and citizens.

10           (3) The advisory committee shall advise the governing body about:

11           (a) matters related to the administration of local option infrastructure tax, including the administrative  
 12 ordinance provided for in [section 7];

13           (b) the purposes funded with local option infrastructure tax revenue; and

14           (c) whether to seek changes to the local option infrastructure tax, including the tax rate, the duration, the  
 15 purposes to be funded, and the area subject to the tax.

16  
 17           **Section 26.** Section 7-7-4424, MCA, is amended to read:

18           **"7-7-4424. Undertakings to be self-supporting.** (1) (a) Except as provided in subsections (1)(b) and  
 19 (1)(c), the governing body of a municipality issuing bonds pursuant to this part shall prescribe and collect  
 20 reasonable rates, fees, or charges for the services, facilities, and commodities of the undertaking and shall revise  
 21 the rates, fees, or charges from time to time whenever necessary so that the undertaking is and remains  
 22 self-supporting.

23           (b) The property taxes specifically authorized to be levied for the general purpose served by an  
 24 undertaking ~~or, any~~ resort taxes approved, levied, and appropriated to an undertaking in compliance with  
 25 7-6-1501 through 7-6-1509, or any local option infrastructure taxes approved, levied, and appropriated to an  
 26 undertaking in compliance with [sections 1 through 25] constitute revenue of the undertaking and may not result  
 27 in an undertaking being considered not self-supporting.

28           (c) Revenue from assessments and fees enacted by local ordinance constitutes revenue of the  
 29 undertaking and may not result in an undertaking being considered not self-supporting.

30           (2) The rates, fees, or charges prescribed, along with any appropriated property tax collections, local



1 option infrastructure tax collections, or resort tax collections, must produce revenue at least sufficient to:

2 (a) pay when due all bonds and interest on the bonds for the payment of which the revenue has been  
3 pledged, charged, or otherwise encumbered, including reserves for the bonds; and

4 (b) provide for all expenses of operation and maintenance of the undertaking, including reserves."  
5

6 **Section 27.** Section 7-7-4428, MCA, is amended to read:

7 **"7-7-4428. Covenants in resolution authorizing issuance of bonds.** Any resolution or resolutions  
8 authorizing the issuance of bonds under this part may contain covenants as to:

9 (1) the purpose or purposes to which the proceeds of sale of the bonds may be applied and the  
10 disposition of the proceeds;

11 (2) the use and disposition of the revenue of the undertaking for which the bonds are to be issued,  
12 including the creation and maintenance of reserves and including the pledge or appropriation of all or a portion  
13 of the property and resort tax revenue referred to in 7-7-4424 or the local option infrastructure tax revenue  
14 referred to in [section 8];

15 (3) the transfer, from the general fund of the municipality to the account or accounts of the undertaking,  
16 of an amount equal to the cost of furnishing the municipality or any of its departments, boards, or agencies with  
17 the services, facilities, or commodities of the undertaking;

18 (4) the issuance of other or additional bonds payable from the revenue of the undertaking;

19 (5) the operation and maintenance of the undertaking;

20 (6) the insurance to be carried on the undertaking and the use and disposition of insurance money;

21 (7) books of account and the inspection and audit of the books; and

22 (8) the terms and conditions upon which the holders or trustees of the bonds or any proportion of the  
23 bonds are entitled to the appointment of a receiver by the district court having jurisdiction. The receiver may:

24 (a) enter and take possession of the undertaking;

25 (b) operate and maintain the undertaking;

26 (c) prescribe rates, fees, or charges, subject to the approval of the public service commission; and

27 (d) collect, receive, and apply all revenue thereafter arising from the undertaking in the same manner  
28 as the municipality itself might do."  
29

30 NEW SECTION. **Section 28. Codification instruction.** [Sections 1 through 25] are intended to be

1 codified as an integral part of Title 7, chapter 6, and the provisions of Title 7, chapter 6, apply to [sections 1  
2 through 25].

3  
4 NEW SECTION. **Section 29. Saving clause.** [This act] does not affect rights and duties that matured,  
5 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

6  
7 NEW SECTION. **Section 30. Effective date.** [This act] is effective on passage and approval.

8 - END -