

## HOUSE BILL NO. 462

INTRODUCED BY T. BURNETT

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING ADMINISTRATION OF URBAN RENEWAL AND  
5 TARGETED ECONOMIC DEVELOPMENT DISTRICTS WITH TAX INCREMENT FINANCING; PROVIDING FOR  
6 REPORTING ON AN ANNUAL BASIS BY LOCAL GOVERNMENTS UTILIZING TAX INCREMENT  
7 PROVISIONS; REQUIRING THE DEPARTMENT OF REVENUE TO ADMINISTER REPORTING  
8 REQUIREMENTS AND PROVIDE INFORMATION TO THE PUBLIC THROUGH THE INTERNET AND THE  
9 BIENNIAL REPORT; ~~LIMITING CERTIFICATION OF BASE TAXABLE VALUE OF NEW OR AMENDED TAX~~  
10 ~~INCREMENT FINANCING PROVISIONS BASED ON A PERCENTAGE OF LOCAL GOVERNMENT TAXABLE~~  
11 ~~VALUE REQUIRING AN IMPACT ANALYSIS IF THE ADOPTION OR EXPANSION OF A TAX INCREMENT~~  
12 ~~FINANCING PROVISION WILL RESULT IN A BASE TAXABLE VALUE WITHIN THE TAXING JURISDICTION~~  
13 ~~OF GREATER THAN 35% OF THE JURISDICTION'S CERTIFIED TAXABLE VALUE;~~ PROVIDING RULEMAKING  
14 AUTHORITY; AMENDING SECTIONS 7-15-4282, 7-15-4283, 7-15-4285, 7-15-4292, AND 15-1-205, MCA; AND  
15 PROVIDING AN APPLICABILITY DATE."

16  
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

18  
19 NEW SECTION. **Section 1. Reporting duties of local government with tax increment financing**  
20 **provision.** (1) A local government shall prepare and make available to the public an updated annual report  
21 describing the status of each existing urban renewal or targeted economic development district with a tax  
22 increment provision, including expenditures and revenues and any updated urban renewal or comprehensive  
23 development plans. The report may be the same as provided by an urban renewal agency in 7-15-4237.  
24 (2) The local government shall file a copy of the report with the department of revenue ~~6 months following~~  
25 ~~the end of the fiscal year~~ BY OCTOBER 1 OF EACH YEAR. The report must include ~~a complete financial statement~~  
26 ~~setting forth its assets, liabilities, income, operating expenses, and the amount of the tax increment as of the fiscal~~  
27 ~~year;~~ AT A MINIMUM the anticipated tax increment provision termination date, ~~and~~ the contact information of a  
28 person designated to respond to questions or concerns regarding the annual report. ~~The report must describe,~~  
29 the expenditures of tax increment in the preceding fiscal year, and how the expenditures comply with the  
30 approved urban renewal plan or comprehensive development plan for the district. EXPENDITURES MUST BE ITEMIZED

1 IN SUFFICIENT DETAIL TO ILLUSTRATE COSTS ASSOCIATED WITH SPECIFIC PROJECTS AND OBLIGATIONS.

2  
3 **NEW SECTION. Section 2. Reporting duties of department of revenue.** (1) The department of  
4 revenue shall post annual reports and updated urban renewal or comprehensive development plans on its official  
5 internet website no later than 45 days after the department receives the information required in [section 1] from  
6 the local government. The department shall also post a list of local governments with a tax increment provision  
7 that fail to comply with [section 1] by filing an annual report.

8 (2) The department shall retain, for the life of the provision plus 5 years, the following information and  
9 documentation for each urban renewal or targeted economic development district with a tax increment provision:

- 10 (a) name of the district;  
11 (b) local government entity;  
12 (c) district contact;  
13 (d) type of district;  
14 (e) historic certified base and increment values;  
15 (f) anticipated resolution date;  
16 (g) maximum resolution date;  
17 (h) levy district codes included in the district and any changes over time;  
18 (i) original and updated urban renewal or comprehensive development plans; and  
19 (j) annual local government or urban renewal agency reports.

20 (3) The department shall report statewide use of tax increment provisions, including a summary of  
21 existing districts and annual change in the tax base and the increment, in the biennial report provided for in  
22 15-1-205.

23  
24 **Section 3.** Section 7-15-4282, MCA, is amended to read:

25 **"7-15-4282. Authorization for tax increment financing.** (1) An urban renewal plan as defined in  
26 7-15-4206 or a targeted economic development district comprehensive development plan created as provided  
27 in 7-15-4279 may contain a provision or be amended to contain a provision for the segregation and application  
28 of tax increments as provided in 7-15-4282 through 7-15-4294.

29 (2) (a) Before adopting a tax increment financing provision as part of an urban renewal plan or a  
30 comprehensive development plan, a municipality shall provide notice to the county and the school district or

1 ~~targeted economic development district~~ in which the urban renewal district OR TARGETED ECONOMIC DEVELOPMENT  
 2 DISTRICT is located and provide the county and school district with the opportunity to meet and consult in a public  
 3 meeting with the opportunity for public comment regarding the proposed tax increment financing provision and  
 4 its effect on the county or school district.

5 (b) Before adopting a tax increment financing provision as part of a comprehensive development plan,  
 6 a county shall provide notice to the school district in which the targeted economic development district is located  
 7 and provide the school district with the opportunity to meet and consult in a public meeting with the opportunity  
 8 for public comment regarding the proposed tax increment financing provision and its effect on the school district.

9 (3) The tax increment financing provision must take into account the effect on the county and school  
 10 districts that include local government territory.

11 ~~(4) The department of revenue may not certify base taxable value or amend tax increment financing~~  
 12 ~~provisions if doing so would cause the base taxable values of all tax increment provisions in the local government~~  
 13 ~~to exceed 15% of local government taxable value, unless the amendments would cause a decrease in base~~  
 14 ~~taxable value.~~

15 (4) EXCEPT AS PROVIDED IN SUBSECTION (5), A LOCAL GOVERNING BODY MAY NOT ADOPT A TAX INCREMENT  
 16 FINANCING PROVISION OR EXPAND AN URBAN RENEWAL DISTRICT OR TARGETED ECONOMIC DEVELOPMENT DISTRICT WITH  
 17 A TAX INCREMENT FINANCING PROVISION IF THE TOTAL BASE TAXABLE VALUE OF ALL URBAN RENEWAL DISTRICTS AND  
 18 TARGETED ECONOMIC DEVELOPMENT DISTRICTS WITH A TAX INCREMENT FINANCING PROVISION WITHIN THE LOCAL  
 19 GOVERNING BODY'S JURISDICTION EXCEEDS 35% OF THE TOTAL CERTIFIED TAXABLE VALUE OF THE JURISDICTION AS  
 20 REPORTED BY THE DEPARTMENT OF REVENUE IN THE PREVIOUS CALENDAR YEAR.

21 (5) (A) (I) IF THE BASE TAXABLE VALUE OF THE URBAN RENEWAL DISTRICTS AND TARGETED ECONOMIC  
 22 DEVELOPMENT DISTRICTS WITH A TAX INCREMENT FINANCING PROVISION EXCEEDS THE LIMIT PROVIDED FOR IN  
 23 SUBSECTION (4), THE LOCAL GOVERNMENT SHALL PERFORM AN ANALYSIS OF THE IMPACT OF THE PROPOSED ADOPTION  
 24 OF A TAX INCREMENT FINANCING PROVISION OR EXPANSION OF AN EXISTING DISTRICT ON ALL AFFECTED TAXING  
 25 JURISDICTIONS.

26 (II) A MUNICIPALITY SHALL PROVIDE NOTICE TO THE COUNTY AND THE SCHOOL DISTRICT IN WHICH THE DISTRICT  
 27 PROVIDED FOR IN SUBSECTION (5)(A)(I) IS LOCATED AND PROVIDE THE COUNTY AND SCHOOL DISTRICT WITH THE  
 28 OPPORTUNITY TO MEET AND CONSULT REGARDING THE PROPOSED ADOPTION OF A TAX INCREMENT FINANCING PROVISION  
 29 OR EXPANSION OF A DISTRICT AND THE SCOPE OF THE IMPACT ANALYSIS REQUIRED IN SUBSECTION (5)(A)(I).

30 (III) A COUNTY OR CONSOLIDATED CITY-COUNTY SHALL PROVIDE NOTICE TO THE SCHOOL DISTRICT IN WHICH THE

1 DISTRICT PROVIDED FOR IN SUBSECTION (5)(A)(I) IS LOCATED AND PROVIDE THE SCHOOL DISTRICT WITH THE OPPORTUNITY  
 2 TO MEET AND CONSULT REGARDING THE PROPOSED ADOPTION OF A TAX INCREMENT FINANCING PROVISION OR EXPANSION  
 3 OF A DISTRICT AND THE SCOPE OF THE IMPACT ANALYSIS REQUIRED IN SUBSECTION (5)(A)(I).

4 (B) PRIOR TO APPROVING THE ADOPTION OF A TAX INCREMENT FINANCING PROVISION OR THE EXPANSION OF AN  
 5 EXISTING DISTRICT WITH A TAX INCREMENT FINANCING PROVISION THAT WILL EXCEED THE LIMIT PROVIDED FOR IN  
 6 SUBSECTION (4), THE LOCAL GOVERNING BODY SHALL HOLD A PUBLIC HEARING ON THE PROPOSAL AND THE IMPACT  
 7 ANALYSIS REQUIRED IN SUBSECTION (5)(A)(I)."

8

9 **Section 4.** Section 7-15-4283, MCA, is amended to read:

10 **"7-15-4283. Definitions related to tax increment financing.** For purposes of 7-15-4277 through  
 11 7-15-4280, ~~and~~ 7-15-4282 through 7-15-4294, and [sections 1 and 2], the following definitions apply unless  
 12 otherwise provided or indicated by the context:

13 (1) "Actual taxable value" means the taxable value of all taxable property at any time, as calculated from  
 14 the property tax record.

15 (2) "Base taxable value" means the actual taxable value of all taxable property within an urban renewal  
 16 area or targeted economic development district as it appears on the property tax record prior to the effective date  
 17 of a tax increment financing provision. This value may be adjusted as provided in 7-15-4287 or 7-15-4293.

18 (3) "Incremental taxable value" means the amount, if any, by which the actual taxable value at any time  
 19 exceeds the base taxable value of all taxable property within an urban renewal area or targeted economic  
 20 development district.

21 (4) "Local government", for the purposes of a targeted economic development district, means any  
 22 incorporated city or town, a county, or a city-county consolidated local government.

23 (5) "Targeted economic development district" means a district created pursuant to 7-15-4277 through  
 24 7-15-4280.

25 (6) "Tax increment" means the collections realized from extending the tax levies, expressed in mills, of  
 26 all taxing bodies in which the urban renewal area or targeted economic development district or a part of the area  
 27 or district is located against the incremental taxable value.

28 (7) "Tax increment provision" means a provision for the segregation and application of tax increments  
 29 as authorized by 7-15-4282 through 7-15-4294.

30 (8) "Taxes" means all taxes levied by a taxing body against property on an ad valorem basis.

1 (9) "Taxing body" means any incorporated city or town, county, city-county consolidated local  
 2 government, school district, or other political subdivision or governmental unit of the state, including the state, that  
 3 levies taxes against property within the urban renewal area or targeted economic development district."  
 4

5 **Section 5.** Section 7-15-4285, MCA, is amended to read:

6 **"7-15-4285. Determination and report of original, actual, and incremental taxable values --**  
 7 **rulemaking.** (1) The department of revenue shall, upon receipt of a qualified tax increment provision and each  
 8 succeeding year, calculate and report to the local government and to any other affected taxing body in  
 9 accordance with Title 15, chapter 10, part 2, the base, actual, and incremental taxable values of the property.

10 (2) For the purpose of this section, the term "qualified tax increment provision" means an urban renewal  
 11 or targeted economic development district that meets the physical and procedural requirements of Title 7, chapter  
 12 15, part 43, and this part and that submitted documentation to the department of revenue in accordance with rules  
 13 adopted by the department.

14 (3) The department of revenue shall adopt rules to implement and administer Title 7, chapter 15, part  
 15 43, and this part."  
 16

17 **Section 6.** Section 7-15-4292, MCA, is amended to read:

18 **"7-15-4292. Termination of tax increment financing -- exception.** (1) The tax increment provision  
 19 contained in an urban renewal plan or a targeted economic development district comprehensive development  
 20 plan terminates upon the later of:

21 (a) the 15th year ~~following its adoption~~ of segregation of the increment as certified by the department  
 22 of revenue; or

23 (b) the payment or provision for payment in full or discharge of all bonds for which the tax increment has  
 24 been pledged and the interest on the bonds.

25 (2) (a) Except as provided in subsection (2)(b), any amounts remaining in the special fund or any reserve  
 26 fund after termination of the tax increment provision must be distributed among the various taxing bodies in  
 27 proportion to their property tax revenue from the area or district.

28 (b) Upon termination of the tax increment provision, a local government may retain and use in  
 29 accordance with the provisions of the urban renewal plan:

30 (i) funds remaining in the special fund or a reserve fund related to a binding loan commitment,

1 construction contract, or development agreement for an approved urban renewal project or targeted economic  
2 development district project that a local government entered into before the termination of a tax increment  
3 provision;

4 (ii) loan repayments received after the date of termination of the tax increment provision from loans made  
5 pursuant to a binding loan commitment; or

6 (iii) funds from loans previously made pursuant to a loan program established under an urban renewal  
7 plan or targeted economic development district comprehensive development plan.

8 (3) After termination of the tax increment provision, all taxes must be levied upon the actual taxable value  
9 of the taxable property in the urban renewal area or targeted economic development district and must be paid  
10 to each of the taxing bodies as provided by law.

11 (4) Bonds secured in whole or in part by a tax increment provision may not be issued after the 15th  
12 anniversary of tax increment provisions. However, if bonds secured by a tax increment provision are outstanding  
13 on the applicable anniversary, additional bonds secured by the tax increment provision may be issued if the final  
14 maturity date of the bonds is not later than the final maturity date of any bonds then outstanding and secured by  
15 the tax increment provision."

16

17 **Section 7.** Section 15-1-205, MCA, is amended to read:

18 **"15-1-205. Biennial report -- contents.** (1) The department shall transmit to the governor 20 days  
19 before the meeting of the legislature and make available to the legislature and the public a report of the  
20 department showing all the taxable property of the state, counties, and cities and its value. The department shall  
21 follow the provisions of 5-11-210 in preparing the report for the legislature.

22 (2) The report must also include the statewide average effective tax rate of taxable property in each class  
23 of property. The department may determine whether an appropriate effective tax rate may be derived for net  
24 proceeds, gross proceeds, agricultural land, and forest land.

25 (3) The report or supplements to the report must also include:

26 (a) the gross dollar amount of revenue loss attributable to:

27 (i) personal income and corporate income tax exemptions;

28 (ii) property tax exemptions for which application to the department is necessary;

29 (iii) deferral of income;

30 (iv) credits allowed against Montana personal income tax or Montana corporate income tax, reported

- 1 separately;
- 2 (v) deductions from income; and
- 3 (vi) any other identifiable preferential treatment of income or property;
- 4 (b) any change in tax revenue of the state or any unit of local government attributable to a change in
- 5 federal tax law;
- 6 (c) any change in the revenue of any unit of local government attributable to a change in state tax law;
- 7 (d) the year of enactment and provision of the Montana Code Annotated granting the tax benefits in
- 8 subsection (3)(a); ~~and~~
- 9 (e) the number of taxpayers benefiting from each of the tax provisions listed in subsection (3)(a); and
- 10 (f) a summary of the statewide use of tax increment financing provisions, including a summary of existing
- 11 districts and annual changes in the tax base and the increment:
- 12 (I) A LIST OF ALL EXISTING PROVISIONS, ANNUAL CHANGES IN THE BASE, AND THE INCREMENT VALUES;
- 13 (II) PERCENTAGE OF THE LOCAL TAX BASE IN A TAX INCREMENT FINANCING BASE AND INCREMENT; AND
- 14 (III) AN ANALYSIS OF THE INCREMENT GROWTH OF EACH PROVISION RELATIVE TO BOTH THE GROWTH IN OVERALL
- 15 LOCAL TAX BASE AND STATEWIDE AVERAGE GROWTH.
- 16 (4) A distributional analysis of the data described in subsection (3) must be related to the income level
- 17 and age of the taxpayer whenever the information is available.
- 18 (5) (a) When reporting the data described in subsection (3)(a), the department shall identify any known
- 19 purpose of the preferential treatment.
- 20 (b) Based upon the purpose of the preferential treatment, the department shall outline the available data
- 21 necessary to determine the effectiveness of the preferential treatment.
- 22 (6) In reporting the data described in subsection (3), the department shall report any comparable data,
- 23 if available, from Wyoming, Idaho, North Dakota, and South Dakota and from any other state the department may
- 24 choose.
- 25 (7) The department shall identify in a separate section of the report any changes that have been made
- 26 or that are contemplated in property appraisal or assessment.
- 27 (8) The department may include a report, prepared by the department of transportation, showing the
- 28 selling price of gasoline at the wholesale level in prime market centers of Montana and in surrounding states
- 29 during the biennium, with indexes tabulated at sufficient intervals to show the comparative state price structures.
- 30 (9) The department shall provide an internet version of the report free of charge to the public and shall

1 charge a fee for paper copies that is commensurate with the cost of printing the report."

2

3 NEW SECTION. Section 8. Codification instruction. [Sections 1 and 2] are intended to be codified  
4 as an integral part of Title 7, chapter 15, part 43, and the provisions of Title 7, chapter 15, part 43, apply to  
5 [sections 1 and 2].

6

7 NEW SECTION. Section 9. Applicability. ~~[This act]~~ (1) EXCEPT AS PROVIDED IN SUBSECTION (2), [THIS  
8 ACT] applies to property tax years beginning after December 31, 2019.

9 (2) [SECTION 3] APPLIES TO THE CREATION OR EXPANSION OF AN URBAN RENEWAL DISTRICT OR TARGETED  
10 ECONOMIC DEVELOPMENT DISTRICT WITH A TAX INCREMENT FINANCING PROVISION UNDER TITLE 7, CHAPTER 15, PART  
11 42, ON OR AFTER [THE EFFECTIVE DATE OF THIS ACT].

12

- END -