SENATE BILL NO. 145

INTRODUCED BY K. REGIER, T. MCGILLVRAY, B. KEENAN, C. GLIMM, R. LYNCH, F. MANDEVILLE, C. POPE, D. BARTEL, J. FULLER, P. FLOWERS, A. BUCKLEY, J. GILLETTE, S. O'BRIEN, J. FITZPATRICK

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR LOCAL DISTRIBUTION OF REVENUE FROM THE SALES TAX ON LODGING AND THE LODGING FACILITIES USE TAX; DISTRIBUTING A PORTION OF THE SALES TAX ON LODGING TO THE CITY OR COUNTY WHERE THE ACCOMMODATION IS LOCATED; DISTRIBUTING A PORTION OF THE LODGING FACILITIES USE TAX TO COUNTIES; REQUIRING THE REVENUE DISTRIBUTED TO CITIES AND COUNTIES TO BE USED FOR PROPERTY TAX RELIEF FOR RESIDENTIAL PROPERTY; PROVIDING FOR THE SALES TAX REVENUE PROPERTY TAX ASSISTANCE PROGRAM; PROVIDING A DEFINITION; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS ~~15-10-420,~~ 15-16-101, 15-65-112, 15-65-121, 15-68-502, 15-68-820, 22-3-1303, 22-3-1304, 22-3-1307, AND 90-1-135, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

NEW SECTION. **SECTION 1. SALES TAX REVENUE PROPERTY TAX ASSISTANCE -- RULEMAKING -- DEFINITION.** (1) THE DEPARTMENT SHALL PROVIDE SALES TAX REVENUE PROPERTY TAX ASSISTANCE TO OWNERS OF RESIDENTIAL PROPERTY WITHOUT AN APPLICATION PROCESS. THE ASSISTANCE IS PROVIDED WITH FUNDING FROM THE LODGING SALES AND USE TAX DISTRIBUTION ACCOUNT PROVIDED IN [SECTION 2] THAT IS ALLOCATED TO THE GOVERNING BODY OF AN INCORPORATED CITY OR TOWN OR COUNTY AS PROVIDED IN [SECTION 3].

(2) THE DEPARTMENT SHALL PROVIDE EACH INCORPORATED CITY OR TOWN AND EACH COUNTY THAT RECEIVES A DISTRIBUTION UNDER [SECTION 2] WITH SUFFICIENT INFORMATION TO ENABLE THE COUNTY TO ADMINISTER THE REPORTING OF THE REDUCTION IN PROPERTY TAX IN 15-16-101(2)(A)(II) AND (2)(A)(V). THE INFORMATION MUST INCLUDE A LISTING OF ALL PROPERTY IN THE TAXING JURISDICTION THAT QUALIFIES AS RESIDENTIAL PROPERTY, THE TAXABLE VALUE OF EACH RESIDENTIAL PROPERTY, THE TOTAL TAXABLE VALUE OF ALL RESIDENTIAL PROPERTY, AND THE MILL LEVY REDUCTION REFLECTED AS A NEGATIVE MILL VALUE FOR THE TAXING JURISDICTION THAT IS APPLIED ON THE TAX BILL FOR EACH RESIDENTIAL PROPERTY. THE MILL LEVY REDUCTION IS CALCULATED USING THE AMOUNT OF THE

(a) file a financial report required by 15-1-504;

(b) remit any amounts collected on behalf of the state as required by 15-1-504; or

(c) remit any other amounts owed to the state or another taxing jurisdiction.

NEW SECTION. **Section 3. Lodging sales and use tax account.** (1) The governing body of an incorporated city or town or county receiving lodging sales and use tax under [section ~~1~~ 2] shall establish a lodging sales and use tax account to hold the collections.

(2) The revenue deposited in the account each year must be used to reduce the incorporated city's or town's or county's property tax levy ON TAXPAYERS THAT QUALIFY FOR SALES TAX REVENUE ASSISTANCE PURSUANT TO [SECTION 1] in the next year. The revenue used to reduce property tax levies must be transferred to the account in which property tax revenue is deposited.

~~**Section 4.** Section 15-10-420, MCA, is amended to read:~~

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

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

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

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

~~(3) (a) For purposes of this section, newly taxable property includes:~~

~~(i) annexation of real property and improvements into a taxing unit;~~

~~(ii) construction, expansion, or remodeling of improvements;~~

~~(iii) transfer of property into a taxing unit;~~

~~(iv) subdivision of real property; and~~

~~(v) transfer of property from tax-exempt to taxable status.~~

~~(b) Newly taxable property does not include an increase in value:~~

~~(i) that arises because of an increase in the incremental value within a tax increment financing district; or~~

~~(ii) caused by the termination of an exemption that occurs due to the American Rescue Plan Act, Public Law 117-2, and section 14, Chapter 506, Laws of 2021.~~

~~(4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the release of taxable value from the incremental taxable value of a tax increment financing district because of:~~

~~(i) a change in the boundary of a tax increment financing district;~~

~~(ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or~~

~~(iii) the termination of a tax increment financing district.~~

~~(b) If a tax increment financing district terminates prior to the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment financing district terminates. If a tax increment financing district terminates after the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.~~

~~(c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current year market value of that property less the previous year market value of that property.~~

~~(d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale~~

~~of real property that results in the property being taxable as class four property under 15-6-134 or as nonqualified agricultural land as described in 15-6-133(1)(c).~~

~~(5) Subject to subsection (8), subsection (1)(a) does not apply to:~~

~~(a) school district levies established in Title 20; or~~

~~(b) a mill levy imposed for a newly created regional resource authority.~~

~~(6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.~~

~~(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:~~

~~(a) may increase the number of mills to account for a decrease in reimbursements or for a decrease in lodging tax distributions under [section 1]; and~~

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

~~(c) SHALL DECREASE THE NUMBER OF MILLS TO ACCOUNT FOR THE TOTAL AMOUNT OF LODGING TAX DISTRIBUTIONS UNDER [SECTION 2] AFTER ACCOUNTING FOR ANY DECREASE IN LODGING TAX DISTRIBUTIONS THAT WERE PREVIOUSLY USED TO LOWER MILLS IN THIS SECTION BUT WERE NOT RECEIVED.~~

~~(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-109, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the calculation must be rounded up to the nearest tenth of a mill.~~

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

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

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

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

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

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

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

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

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

~~(ix) a governmental entity from levying mills for the support of an airport authority in existence prior to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past. The levy under this subsection (9)(a)(ix) is limited to the amount in the resolution creating the authority.~~

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

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

~~(11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable value in a governmental unit. (Subsection (3)(b)(ii) terminates December 31, 2025--sec. 13(5), Ch. 506, L. 2021.)"~~

SECTION 4. SECTION 15-16-101, MCA, IS AMENDED TO READ:

"**15-16-101. Treasurer to publish notice -- manner of publication.** (1) Within 10 days after the receipt of the property tax record, the county treasurer shall publish a notice specifying:

(a) that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount then due will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;

(b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty; and