

1 SENATE BILL NO. 511

2 INTRODUCED BY D. ZOLNIKOV

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4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAXES; REVISING  
5 GOVERNMENTAL ENTITY LIMITS ON PROPERTY TAX INCREASES; INCREASING THE RATE OF  
6 INFLATION LIMITATION IMPOSED ON GOVERNMENTAL ENTITIES FOR CALCULATING PROPERTY TAX  
7 LEVIES; PROVIDING THAT A PORTION OF NEWLY TAXABLE PROPERTY IS SUBJECT TO THE MILL  
8 LEVY LIMITATION CALCULATION; PROVIDING A FIXED LIMIT ON MILL LEVY AUTHORITY; AMENDING  
9 SECTION 15-10-420, MCA; AND PROVIDING AN APPLICABILITY 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, not to exceed 4%. ~~The~~ Subject to subsection (1)(d), the maximum number of mills that a governmental  
18 entity may impose is established by calculating the number of mills required to generate the amount of property  
19 tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less  
20 25% 50% of the current year's newly taxable value, plus ~~one-half~~ of the average rate of inflation for the prior 3  
21 years.

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

27 (c) For the purposes of subsection (1)(a), the department shall calculate ~~one-half~~ of the average  
28 rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers,

1 using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of  
2 labor.

3 (d) The levy calculated pursuant to subsection (1)(a) is limited to a fixed amount of growth and  
4 may not generate an amount of property taxes that exceeds the amount of property tax assessed in the  
5 governmental unit in the prior year, plus 4% of the property tax assessed in the governmental unit in the prior  
6 year.

7 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any  
8 additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit,  
9 including ~~25%~~ 50% of newly taxable property.

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

- 11 (i) annexation of real property and improvements into a taxing unit;
- 12 (ii) construction, expansion, or remodeling of improvements;
- 13 (iii) transfer of property into a taxing unit;
- 14 (iv) subdivision of real property; and
- 15 (v) transfer of property from tax-exempt to taxable status.

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

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

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

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

- 23 (i) a change in the boundary of a tax increment financing district;
- 24 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or
- 25 (iii) the termination of a tax increment financing district.

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

1 taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the  
2 following tax year.

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

6 (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale  
7 of real property that results in the property being taxable as class four property under 15-6-134 or as  
8 nonqualified agricultural land as described in 15-6-133(1)(c).

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

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

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

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

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

15 (a) may increase the number of mills to account for a decrease in reimbursements; and

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

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

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

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

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

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

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

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

**Amendment - 1st Reading-white - Requested by: Daniel Zolnikov - (S) Taxation**

- 2023

68th Legislature 2023

Drafter: Jaret Coles, 406-444-4022

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

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

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

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

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

11 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-  
12 11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport  
13 authority in either of the previous 2 years and the airport or airport authority has not been appropriated  
14 operating funds by a county or municipality during that time.

15 (11) The department may adopt rules to implement this section. The rules may include a method for  
16 calculating the percentage of change in valuation for purposes of determining the elimination of property, new  
17 improvements, or newly taxable value in a governmental unit. (~~Subsection (3)(b)(ii) terminates December 31,~~  
18 ~~2025—sec. 13(5), Ch. 506, L. 2021.~~)"

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20 **NEW SECTION. Section 2. Applicability.** [This act] applies to property tax years beginning after  
21 December 31, 2023.

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- END -