

HOUSE BILL NO. 481

INTRODUCED BY R. FITZGERALD

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE RATE OF INFLATION LIMITATION IMPOSED ON GOVERNMENTAL ENTITIES FOR CALCULATING PROPERTY TAX LEVIES; INCREASING THE RATE OF INFLATION LIMIT FROM ONE-HALF THE AVERAGE RATE OF INFLATION TO THE AVERAGE RATE OF INFLATION; REQUIRING A GOVERNMENTAL ENTITY THAT IMPOSES AN INFLATION FACTOR OF MORE THAN ONE-HALF THE AVERAGE RATE OF INFLATION TO PASS A RESOLUTION; AMENDING SECTIONS 7-6-4020, 7-6-4030, AND 15-10-420, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

**Section 1.** Section 7-6-4020, MCA, is amended to read:

**"7-6-4020. Preliminary annual operating budget.** (1) A preliminary annual operating budget must be prepared for the local government.

(2) This part does not provide for the consolidation or reassignment, but does not prohibit delegation by mutual agreement, of any duties of elected county officials.

(3) (a) Before June 1 of each year, the county clerk and recorder shall notify the county commission and each board, office, regional resource authority, or official that they are required to file preliminary budget proposals for their component of the total county budget.

(b) Component budgets must be submitted to the clerk and recorder before June 10th or on a date designated by the county commission and must be submitted on forms provided by the county clerk and recorder.

(c) The county clerk and recorder shall prepare and submit the county's preliminary annual operating budget.

(d) Component budget responsibilities as provided in this subsection (3) include but are not limited to the following:

- 1 (i) The county surveyor or any special engineer shall compute road and bridge component  
2 budgets and submit them to the county commission.
- 3 (ii) The county commission shall submit road and bridge component budgets.
- 4 (iii) The county treasurer shall submit debt service component budgets.
- 5 (iv) The county commission shall submit component budgets for construction or improvements to  
6 be made from new general obligation debt.
- 7 (4) The preliminary annual operating budget for each fund must include, at a minimum:
- 8 (a) a listing of all revenue and other resources for the prior budget year, current budget year, and  
9 proposed budget year;
- 10 (b) a listing of all expenditures for the prior budget year, the current budget year, and the proposed  
11 budget year. All expenditures must be classified under one of the following categories:
- 12 (i) salaries and wages;
- 13 (ii) operations and maintenance;
- 14 (iii) capital outlay;
- 15 (iv) debt service; or
- 16 (v) transfers out.
- 17 (c) a projection of changes in fund balances or cash balances available for governmental fund  
18 types and a projection of changes in cash balances and working capital for proprietary fund types. This  
19 projection must be supported by a summary for each fund or group of funds listing the estimated beginning  
20 balance plus estimated revenue, less proposed expenditures, cash reserves, and estimated ending balances.
- 21 (d) a detailed list of proposed capital expenditures and a list of proposed major capital projects for  
22 the budget year;
- 23 (e) financial data on current and future debt obligations;
- 24 (f) schedules or summary tables of personnel or position counts for the prior budget year, current  
25 budget year, and proposed budget year. The budgeted amounts for personnel services must be supported by a  
26 listing of positions, salaries, and benefits for all positions of the local government. The listing of positions,  
27 salaries, and benefits is not required to be part of the budget document.
- 28 (g) all other estimates that fall under the purview of the budget.

1           (5)     The preliminary annual operating budget for each fund for which the local government will levy  
2 an ad valorem property tax must include the estimated amount to be raised by the tax.

3           (6)     If a governmental entity intends to impose mills resulting from an inflation factor of more than  
4 one-half of the average rate of inflation for the prior 3 years as authorized in 15-10-420, the preliminary budget  
5 must include the estimated amount to be raised by the inflation factor used in creating the preliminary annual  
6 operating budget."

7

8           **Section 2.** Section 7-6-4030, MCA, is amended to read:

9           **"7-6-4030. Final budget -- resolution -- appropriations.** (1) The governing body may amend the  
10 preliminary budget after the public hearing and after considering any public comment.

11           (2)     The amended budget constitutes the final budget. The final budget must be balanced so that  
12 appropriations do not exceed the projected beginning balance plus the estimated revenue of each fund for the  
13 fiscal year.

14           (3)     The governing body shall adopt the final budget by resolution. The resolution must:

15           (a)     authorize appropriations to defray the expenses or liabilities for the fiscal year; ~~and~~

16           (b)     establish legal spending limits at the level of detail in the resolution; and

17           (c)     include the estimated amount to be raised by the inflation factor authorized in 15-10-420.

18           (4)     The effective date of the resolution is July 1 of the fiscal year, even if the resolution is adopted  
19 after that date."

20

21           **Section 3.** Section 15-10-420, MCA, is amended to read:

22           **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a  
23 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount  
24 of property taxes actually assessed in the prior year plus ~~one-half of~~ the average rate of inflation for the prior 3  
25 years. The maximum number of mills that a governmental entity may impose is established by calculating the  
26 number of mills required to generate the amount of property tax actually assessed in the governmental unit in  
27 the prior year based on the current year taxable value, less the current year's newly taxable value, plus ~~one-half~~  
28 ~~of~~ the average rate of inflation for the prior 3 years. If a governmental entity intends to impose mills resulting

1 from an inflation factor of more than one-half of the average rate of inflation for the prior 3 years, the  
2 governmental entity shall adopt a resolution authorizing the applicable inflationary factor for that budget year.

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

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

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

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

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

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

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

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

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

- 27 (i) a change in the boundary of a tax increment financing district;
- 28 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;
- 2 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;
- 3 (iv) a levy for the support of a study commission under 7-3-184;
- 4 (v) a levy for the support of a newly established regional resource authority;
- 5 (vi) the portion that is the amount in excess of the base contribution of a governmental entity's
- 6 property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703;
- 7 (vii) a levy for reimbursing a county for costs incurred in transferring property records to an
- 8 adjoining county under 7-2-2807 upon relocation of a county boundary;
- 9 (viii) a levy used to fund the sheriffs' retirement system under 19-7-404(2)(b); or
- 10 (ix) a governmental entity from levying mills for the support of an airport authority in existence prior
- 11 to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past.
- 12 The levy under this subsection (9)(a)(ix) is limited to the amount in the resolution creating the authority.
- 13 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
- 14 actually assessed in a subsequent year.
- 15 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-
- 16 11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
- 17 authority in either of the previous 2 years and the airport or airport authority has not been appropriated
- 18 operating funds by a county or municipality during that time.
- 19 (11) The department may adopt rules to implement this section. The rules may include a method for
- 20 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
- 21 improvements, or newly taxable value in a governmental unit. (~~Subsection (3)(b)(ii) terminates December 31,~~
- 22 ~~2025--sec. 13(5), Ch. 506, L. 2021.)"~~

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24 **NEW SECTION. Section 4. Effective date.** [This act] is effective on passage and approval.

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26 **NEW SECTION. Section 5. Applicability.** [This act] applies to mill levies for budgets adopted on or  
27 after [the effective date of this act].

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