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HOUSE BILL NO. 925
INTRODUCED BY L. BREWSTER

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO TAX INCREMENT PLEDGED TO THE PAYMENT OF BONDS; REQUIRING REMITTANCE OF TAX INCREMENT THAT EXCEEDS THE AMOUNT NECESSARY TO PAY BONDS AND A BOND RESERVE AMOUNT; AMENDING SECTIONS 7-15-4286 AND 7-15-4291, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Section 7-15-4286, MCA, is amended to read:

"7-15-4286. Procedure to determine and disburse tax increment -- remittance of excess portion of tax increment for ~~targeted economic development district~~ districts that issue bonds. (1) Mill rates of taxing bodies for taxes levied after the effective date of the tax increment provision must be calculated on the basis of the sum of the taxable value, as shown by the last equalized assessment roll, of all taxable property located outside the urban renewal area or targeted economic development district and the base taxable value of all taxable property located within the area or district. The mill rate determined must be levied against the sum of the actual taxable value of all taxable property located within as well as outside the area or district.

(2) (a) Except as provided in subsections (2)(b), (2)(c), and (3), the tax increment, if any, received in each year from the levy of the combined mill rates of all the affected taxing bodies against the incremental taxable value within the area or district must be paid into a special fund held by the treasurer of the local government and used as provided in 7-15-4282 through 7-15-4294.

(b) For targeted economic development districts in existence prior to July 1, 2022, and urban renewal areas, the combined mill rates used to calculate the tax increment may not include mill rates for:

- (i) the university system mills levied pursuant to 15-10-109 and 20-25-439; and
- (ii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax increment provision.

(c) For targeted economic development districts created after June 30, 2022, the combined mill



1 rates used to calculate the tax increment may not include mill rates for:

2 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439;

3 (ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-
4 331, 20-9-333, and 20-9-360;

5 (iii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
6 increment provision; and

7 (iv) any portion of an existing mill levy designated by the local government as excluded from the tax
8 increment.

9 ~~(3) (a) Subject to 7-15-4287 and subsection (3)(b) of this section, a targeted economic development~~
10 ~~district with a tax increment provision adopted after October 1, 2019, may expend or accumulate tax increment~~
11 ~~for:~~

12 ~~(i) the payment of the costs listed in 7-15-4288;~~

13 ~~(ii) the cost of issuing bonds; or~~

14 ~~(iii) any pledge to the payment of the principal of any premium, if any, and interest on the bonds issued~~
15 ~~pursuant to 7-15-4289 and sufficient to fund any reserve fund in respect of the bonds in an amount not to~~
16 ~~exceed 125% of the maximum principal and interest on the bonds in any year during the term of the bonds.~~

17 ~~(b) Any excess tax increment remaining after the use or accumulation of funds as set forth in~~
18 ~~subsection (3)(a) must be:~~

19 ~~(i) remitted to each taxing jurisdiction for which the mill rates are included in the calculation of the tax~~
20 ~~increment as provided in subsections (1) and (2); and~~

21 ~~(ii) proportional to the taxing jurisdiction's share of the total mills levied.~~

22 ~~(c) A targeted economic development district is not subject to the provisions of this subsection (3) if~~
23 ~~bonds have not been issued to finance the project.~~

24 (3) (a) Subject to 7-15-4287, an urban renewal area or targeted economic development district that
25 has pledged tax increment to the payment of bonds pursuant to 7-15-4289 may only retain in any year during
26 the term of the bonds tax increment sufficient to:

27 (i) pay the principal of any premium and interest on bonds; and

28 (ii) maintain a reserve fund in respect of the bonds in an amount not to exceed 125% of the

1 maximum principal and interest on the bonds.

2 (b) Any excess tax increment remaining after the use or accumulation of funds as set forth in
3 subsection (3)(a) must be remitted to each taxing jurisdiction for which the mill rates are included in the
4 calculation of the tax increment as provided in subsections (1) and (2) proportionally to the taxing jurisdiction's
5 share of the total mills levied.

6 (4) Any portion of the excess tax increment remitted to a school district pursuant to subsection (3)
7 is subject to the provisions of 7-15-4291(2) through (5).

8 (5) The balance of the taxes collected in each year must be paid to each of the taxing bodies as
9 otherwise provided by law."

10

11 **Section 2.** Section 7-15-4291, MCA, is amended to read:

12 **"7-15-4291. Voluntary agreement to remit unused portion of urban renewal district tax**

13 **increments.** (1) Subject to subsections (2) through (5), a local government with an urban renewal district
14 containing a tax increment provision may enter into an agreement to remit any portion of the annual tax
15 increment not currently required for the payment of the costs listed in 7-15-4288 ~~or pledged to the payment of~~
16 ~~the principal of premiums, if any, and interest on the bonds referred to in 7-15-4289.~~ The remittance agreement
17 must:

18 (a) provide for remittance to each taxing jurisdiction for which the mill rates are included in the
19 calculation of the tax increment as provided in 7-15-4286(1) and (2); and

20 (b) require that the remittance be proportional to the taxing jurisdiction's share of the total mills
21 levied.

22 (2) Any portion of the increment remitted to a school district pursuant to 7-15-4286(3) or this
23 section:

24 (a) must be used to reduce property taxes or designated as operating reserve pursuant to 20-9-
25 104 for the fiscal year following the fiscal year in which the remittance was received;

26 (b) must be deposited in one or more of the following funds that has a mill levy for the current
27 school year, subject to the provisions of Title 20 and this section:

28 (i) general fund;

1 (ii) bus depreciation reserve fund;

2 (iii) debt service fund;

3 (iv) building reserve fund;

4 (v) technology acquisition and depreciation fund; and

5 (c) may not be transferred to any fund.

6 (3) The remittance will not reduce the levy authority of the school district receiving the remittance
7 in years subsequent to the time period established by subsection (2)(a).

8 (4) Any portion of the increment remitted to a school district and deposited into the general fund
9 must be designated as operating reserve pursuant to 20-9-104 or used to reduce the BASE budget levy or the
10 over-BASE budget levy in the following fiscal year.

11 (5) If a school district does not utilize the remitted portion to reduce property taxes or designate the
12 remittance as operating reserve within the time period established by subsection (2)(a), the unused portion
13 must be remitted as follows:

14 (a) if the area or district is in existence at the time of the remittance, the portion is distributed to the
15 special fund in 7-15-4286(2)(a) and used as provided in 7-15-4282 through 7-15-4294; or

16 (b) if the area or district is not in existence at the time of the remittance, the portion is distributed
17 pursuant to 7-15-4292(2)(a)."

18
19 **NEW SECTION. Section 3. Applicability.** [This act] applies to all urban renewal areas and targeted
20 economic development districts that have pledged tax increment to the payment of bonds.

21 - END -