

SENATE BILL NO. 505

INTRODUCED BY G. HERTZ

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO THE CALCULATION OF TAX INCREMENT FOR DISTRICTS THAT USE TAX INCREMENT FINANCING; CLARIFYING THE APPLICABILITY OF EXCLUSIONS FROM TAX INCREMENT FINANCING; AMENDING SECTIONS 7-15-4286 AND 71-3-1506, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE 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. (1) ~~Mill~~ (a) Except as provided in subsection (1)(b), 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.

(b) If a mill levy is excluded from the tax increment calculation pursuant to subsections (2)(b) through (2)(d), the calculation pursuant to subsection (1)(a) must use the total taxable value of all property located within the area or district.

(2) (a) Except as provided in subsections (2)(b), ~~(2)(c)~~, through (2)(d) 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 and urban renewal areas created before April 6, 2017, the combined mill rates used to calculate the tax increment may not include the mill rates for the

1 university system mills levied pursuant to 15-10-109 and 20-25-439.

2 ~~(b)(c)~~ For targeted economic development districts ~~in existence prior to~~ created on or after April 6,  
3 2017, and before July 1, 2022, and urban renewal areas created on or after April 6, 2017, the combined mill  
4 rates used to calculate the tax increment may not include mill rates for:

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

8 ~~(c)(d)~~ For targeted economic development districts created after June 30, 2022, the combined mill  
9 rates used to calculate the tax increment may not include mill rates for:

- 10 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439;  
11 (ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-  
12 331, 20-9-333, and 20-9-360;  
13 (iii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax  
14 increment provision; and  
15 (iv) any portion of an existing mill levy designated by the local government as excluded from the tax  
16 increment.

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

- 20 (i) the payment of the costs listed in 7-15-4288;  
21 (ii) the cost of issuing bonds; or  
22 (iii) any pledge to the payment of the principal of any premium, if any, and interest on the bonds  
23 issued pursuant to 7-15-4289 and sufficient to fund any reserve fund in respect of the bonds in an amount not  
24 to exceed 125% of the maximum principal and interest on the bonds in any year during the term of the bonds.

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

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

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

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

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

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

8

9 **Section 2.** Section 71-3-1506, MCA, is amended to read:

10 **"71-3-1506. Tax deficiency lien.** A municipality has a lien for tax deficiency payments as described in  
11 a properly filed agreement for tax deficiency payment pursuant to 7-15-4294. The lien has the same priority as  
12 a lien for general property taxes. Lien proceeds must be disbursed pursuant to 7-15-4286(2)(a)."

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14 NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

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