

15-10-420 Discussion
Revenue Interim Committee

Sept. 18, 2023

Bob Story

Disclaimer: I usually appear before you as the Executive Director of the Montana Taxpayers Association. Today I appear on behalf of myself as a former Legislator who was instrumentally involved in the creation of 15-10-420 in the 1999 session and again in the following interim as chair of the Local Government Funding and Structure Committee which revised this section of law and made many changes to finance statutes of both state and local governments. The views shared are my own and do not represent the position of the Montana Taxpayers Association.

Why was 15-10-420 conceived?

In November of 1998, Montana voters passed CI 75. CI 75 would have limited have required voter approval of any new or increased tax imposed by State, local governments, school districts and other taxing districts.

When the Legislature convened in January of 1999, the Legislature set out to make the necessary changes to law to implement CI 75.

SB 184 was the vehicle that would be used for this purpose.

SB 184 was sponsored by Senator Lorents Grosfield, and co-sponsored by Rep. Bob Story and introduced on Jan.11, 1999.

Section 1 of SB 184 eventually became 15-10-420. (See 1999 code)

SB 184 was expanded to deal with the 1996 reappraisal, reimbursements for tax cut bills in the 1999 session, and to create special interim committees to propose changes to government finance laws and district court governance.

On Feb. 24, 1999, the Montana Supreme Court ruled that CI 75 was unconstitutional.

The Legislature intending to place taxpayer protections in place that implemented the concept in CI 75, retained section 1 or SB 184, and that remained part of the bill through the session and became law with the final approval of SB 184 on April 30, when the Governor signed the bill.

What did SB 184 implement in the way of taxing restrictions.

SB 184 through section 1 limited the amount of property tax revenue any government entity could collect. That language was:

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, even if that levy is greater than the levy established by law. 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 value of newly taxable property.

What does the rest of the language in 15-20-420 do?

The remainder of language in 15-10-420 does the following:

1. Provides exceptions to Section 1(a).
2. Outlines administration of the section.
3. Defines terms in the section.
4. Provides for DOR rulemaking.

What role does the law assign to the Dept. of Revenue?

The law instructs the Department to:

1. Calculate the inflation rate to use in the calculation of 1(a).
2. Calculate the mill levies to be assessed for 15-10-107, 20-9-331, 20-9-333, 20-9-360, and 20-25-439.
3. Make rules to implement the section.

Why is the Department required to calculate the mills for school equalization?

While the individual counties could make the calculations for these sections to comply with 1(a), if they were to do so, every county would come up with a different mill levy due to variances in property tax bases. That would defeat the equalization purpose of the statutes. Therefore the DOR is instructed to calculate the mill adjustment on a statewide level. This results in each county levying the same mill levy.

Why were school district levies exempted from 15-10-420?

The 1999 version of the law exempted school district general fund levies and tuition levies from the caps. The general fund levies, which make up most of the school district levies, were exempted because they were already governed by school budget laws that were more restrictive than 15-10-420. Also, because the State was required to equalize school budgets by applying further tax limitations to school districts would eventually upset equity.

In 2001 all school district levies were exempted in an amendment to 15-10-420.

Why were the equalization levies not exempted?

In 1999 school equalization levies were deposited in the State general fund. Therefore, they had no identity and no tie to school funding. They were just like the many other sources of State revenue that could be used to fund state programs through HB2.

Also in 1999, 95 mills was a significant portion of some taxing jurisdiction's property tax levies.

In Broadwater County the 95 mills were 23% of the taxes for taxpayers outside of the city and 19% for those in Townsend.

In Yellowstone County 95 mills were 22% of the taxes in the county and 18% of the taxes in the City of Billings.

It would make little sense to not cap 20% of the tax collections if the goal was to protect taxpayers from large tax increases without a vote.

Why is the university 6 mill levy not subject to 15-10-420?

The voters have twice since 1999 approved the collection of the six-mill levy. Under 15-10-425 voted levies are not subject to 15-10-420. Levies can be voted on in mills which remain constant with changes in taxable value, or in dollars which require the mills to float to collect the voter approved dollars.

15-10-420 was revised in 2001, what were the changes?

15-10-420 was revised in HB 124 in 2001. The main change to 1(a) was to remove the language that allowed for exceeding statutory caps on levies. By doing so, the Legislature affirmed that the equalization levies could not exceed the caps in those three sections of law.

HB 124 also changed the definition of newly taxable property.

The bill left the equalization statutes in title 20 unchanged that subjected them to the 15-10-420 caps.

SB 117 exempted the remainder of the school district levies from the caps and is contained in (5).

Two other bills, SB 265 and SB 501 as well as HB 124, contained identical language to allow for mills authorized to be collected but not assessed to be “banked “ for future use. This became section 1(b).

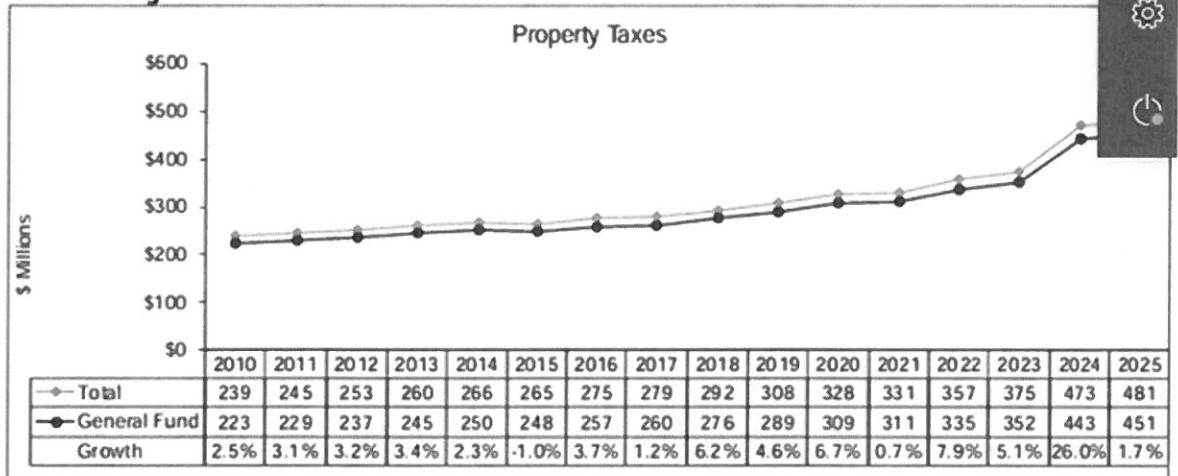
Why is this an issue today?

From 1999 through 2015 when market values increased substantially due to reappraisal of the cyclical classes of property, Class 3 Ag. Land, Class 4 Residential and Commercial Properties, and Class 10 Timberlands, the Legislature reduced the tax rate that was applied to those classes of properties to achieve statewide revenue taxable value neutrality. The effect of this mitigation was to hold the revenue collected from the 95 mills constant except for the impact of new property. The State did not receive a windfall in revenue due to this practice.

Since 2015, when the Legislature went to the two-year reappraisal cycle for Class 3 and Class 4 properties, the market values were not generally large, and the additional revenue the State collected was modest in most years. Even during those years, the State relied on its contention that it had banked mills to apply in years that the law required reductions in the three equalization levies to hold those levies at 95 mills.

The following table shows the variances in revenue collections.

Revenue Projection



In 2023, due to the unprecedented growth in market value of Class 4 property, the State was projected to receive an additional 98 million dollars in collections on the 95 mills. Upon completion of the State’s calculations of total state-wide taxable value this number has grown. A small percentage of the growth is attributable to inflation adjustments of 2.4%. About 14 million dollars is due to new property, and most of the rest is due to the increased value of Class 4 property.

The Department of Revenue’s calculation required by 15-10-420 (8) was 77.8 mills would collect the amount of revenue to comply with 15-10-20 1(a). That level of assessment would cover the 2.4% inflation adjustment. That millage would then be applied to new property and all other classes of property.

The Administration then decided to use banked mills to raise the levies back to 95 mills. They instructed the counties to levy this amount for the total of the three equalization levies. That is a 17.2 mill increase which will generate 79 million dollars in revenue to the State.

98 - election

CONSTITUTIONAL AMENDMENT NO. 75

A CONSTITUTIONAL AMENDMENT PROPOSED BY INITIATIVE PETITION

This initiative would amend the Montana Constitution to require an election and voter approval of any new or increased tax imposed by state and local governments, school districts, and other taxing districts. Each governmental unit could hold only one tax election per year. As an emergency measure, a bill passed by 3/4 of each house of the legislature could enact a state or local tax without voter approval, but it would be in effect for only a limited time. Any elector could sue to enforce this amendment, and public officials and employees could be held civilly liable for violations.

The exact fiscal impact of this proposed constitutional amendment is unknown; however, it will limit increases in government revenue and spending if voters do not approve new taxes and tax increases. There would also be fiscal impact if special elections are held for tax measures.

- FOR amending the Constitution to require voter approval of all new or increased taxes imposed by state and local governments, school districts and other districts.
- AGAINST amending the Constitution to require voter approval of all new or increased taxes imposed by state and local governments, school districts and other districts.

The PROPONENT argument and rebuttal for this measure was prepared by Professor Robert G Natelson, Joseph R Balyeat, CPA and Wes C Higgins.

The OPPONENT argument and rebuttal for this measure was prepared by Eric Feaver, Dennis M Burr, Senator Dorothy Eck, Alec Hansen and Representative Dan Harrington.

PASSED 167,321
159,499

YOUR RIGHT TO VOTE ON NEW TAXES

Polls show 65% voter approval for CI-75. Why? Because voters like common sense.

Here's what CI-75 will do for you and all Montanans:

- ✓ **CI-75 PROTECTS US FROM ARBITRARY TAX INCREASES**, by giving us *a right to vote on new or higher taxes* first. *This applies to all state, county, or local taxes - sales tax, property tax, income tax, gas tax, payroll tax....*
- ✓ **THE NUMBER (AND COST) OF ELECTIONS WILL ACTUALLY DECREASE**. Voter turnout will increase because tax issues will be on the ballot *and all tax elections (including mill levy elections) could be held only once per year* on regular election days. No more repeat "stealth elections" with ridiculous 7% voter turnout, and "NO" will finally mean "NO" instead of "Let's vote again."
- ✓ **BETTER JOBS AND MORE OPPORTUNITIES**. Our children's future will be more secure. Your pocketbook will benefit not only from lower taxes, but also from a prosperous economy. *CI-75 is based on proven success. It offers Montanans the same protection already enjoyed by citizens in other states.* Despite dire warnings from opponents, other states such as Colorado have seen their economies boom since they passed similar laws. Businesses flock to states with stable tax environments. Colorado's unemployment rate dropped to 2% below the rest of the country. *CI-75 means jobs.*
- ✓ **CI-75 IS SIMPLE FAIRNESS. THE TAXPAYERS WHO PAY THE TAB OUGHT TO HAVE A REAL VOICE ABOUT "HOW MUCH?"** This does not remove tax policy-making authority from the legislature. Elected officials will still formulate tax law (including rates, exclusions, etc.). They will simply submit any tax increase laws to the voters for a final veto or approval.
- ✓ **NEW MANDATORY FEES ARE ALSO COVERED**. No longer could new fees and red tape be imposed arbitrarily on a targeted group without giving those affected a chance to object.
- ✓ **NARROW BUT APPROPRIATE EXCEPTIONS**. *CI-75 excludes true user fees for optional services, (i.e. library photocopy prices), where voter approval is not needed because competition from private enterprise keeps government charges in check.* Also, CI-75 permits government to deal with true emergencies through careful, self-expiring override provisions.
- ✓ **CI-75 PARTIALLY SOLVES THE "DONUT AREA" PROBLEM**, where people living outside city limits are subjected to city taxation and regulation without representation in city government. *It also prevents forced annexations to extract higher taxes. People in the geographic area will get to vote on these issues.*
- ✓ **CI-75 OFFERS INCENTIVES FOR GOVERNMENT OFFICIALS TO ADOPT POLICIES THAT SPUR ECONOMIC GROWTH** and result in more tax revenue. It carefully permits government revenue increases that come from economic prosperity. Government's inflationary cost increases will be met by corresponding natural increases in income tax revenue.
- ✓ **CI-75 REDUCES RISK TO WORKERS AND BUSINESSES**. Montana workers and businesses often find themselves stuck with sharp tax and fee hikes because of political deals they couldn't control or knew nothing about. *Under CI-75, decisions on tax increases will no longer be backroom deals made behind closed doors. Those opposing CI-75 are groups that profit from higher taxes. Some have nice sounding names, but all are special interest lobbies that feed at the government trough.* CI-75 takes the tax decisions out of their hands and gives it to the people who foot the bill. By subjecting backroom tax deals to full public debate and vote, it reduces (rather than increases) the chance that a tax will be imposed unfairly on a minority group or industry.
- ✓ **CI-75 WILL SLOW THE GROWTH OF MONTANA'S BLOATED BUREAUCRACY**. Montana is fifth highest among states in per capita government employees, and *near the top in share of income consumed by government.* That's a big reason, studies tell us, why Montanans have the lowest pay in the U.S.

What happens if CI-75 loses? Higher taxes, bigger government, stagnant economy, less individual freedom.

But... If CI-75 wins, it's a win for prosperity and freedom.

✓ **VOTE FOR CI-75!**

ARGUMENT AGAINST

CI-75 is the second attempt to win voter approval for a Constitutional Amendment to require a public vote on any tax or fee increase by any level of government in Montana. CI-66, a similar measure, was defeated at the General Election in 1994. It comes as no surprise that locally elected officials oppose this type of measure. They believe it diminishes their ability to manage revenue systems and provide quality education and necessary city and county services to their constituents. The Montana League of Cities and Towns, the Montana Association of Counties, the Montana Education Association, and the Montana Public Employees Association, among others, opposed the initiative in 1994. Like the previous measure, CI-75 will not reduce taxes but it will require hundreds of complicated and expensive ballot measures on issues as mundane as raising the fee for overdue library books or increasing the assessments paid by livestock owners for predator control and brand inspections.

These organizations representing government were joined in opposition to this measure in 1994 by the Montana Taxpayers Association, the Montana Chamber of Commerce, the Montana Contractors Association, the Montana Mining Association and other organizations that represent taxpayers and business interests in the state. In addition to the costs imposed by a "Right to Vote on Taxes Initiative", it may well result in higher, not lower taxes. Rather than resist the bureaucratic requests for more spending, state and local officials will more likely pass the decision onto voters. Public votes on local, popular services, may well result in higher taxes, particularly if the tax increases are targeted at an unpopular segment of the business community, or one that is unable to adequately defend itself against the interest groups that benefit from the tax increase.

Just as important, the Montana legislature and local elected officials will never voluntarily reduce tax rates in times of surplus if it will require a public vote to raise taxes when poor economic conditions require expansion of government programs. CI-75 will frustrate tax reform in Montana as have similar measures in states like Colorado. Colorado's economy is producing more revenue for government than is necessary, resulting in increased government costs to rebate tax collections to Colorado citizens. Other western states like Utah and Arizona which are not restricted by "vote on taxes" provisions have reduced the taxes on their citizens by millions of dollars during the current economic expansion. CI-75 is expensive, it provides no tax reductions, and it will hinder efforts at true tax reform in Montana. We urge you to vote no on Constitutional Amendment 75.

PROPOSERS' rebuttal of those opposing the issue

CI-75 OPPONENTS MISS THE MARK

✓ Opponents argue against things that CI-75 doesn't do. Here's what CI-75 does do: It gives you a constitutional right you don't have now — the right to choose whether you are going to pay more taxes or new taxes. For example, under CI-75, the legislature must give us a vote if it wants a sales tax. CI-75 doesn't require a vote on library late fees, etc. It gives you the Right to Vote on all major tax increases without forcing votes on minor fee arrangements. We invite opponents to read the initiative.

✓ Opponents criticize another measure (CI-66) that's not even on the ballot! But we're not voting on CI-66; we're voting on CI-75. CI-75 is a big improvement on CI-66.

✓ In opponents' three-paragraph argument, paragraphs 1 and 3 contradict each other; and paragraph 2 is a potential violation of Montana campaign finance laws. Paragraph 1 says if you get the right to vote on taxes, you can't be trusted to give government enough money. Paragraph 3 says your right to vote on taxes may lead to so much economic growth and added tax revenue that the state may be forced to (God forbid!) give you back a tax rebate like they did in Colorado! Which is it — too little money or too much? Neither! CI-75 will simply force the government to live within its means like the rest of us must do.

✓ Opponents' paragraph 2 lists various groups, implying they may oppose CI-75. Montana campaign laws now say it's illegal for any of these groups to spend a dime opposing initiatives! And none of these groups has opposed CI-75.

✓ Opponents write as if they think you're not smart enough to see through their fear-mongering. Talk to someone from Colorado, Oklahoma, or Washington — all of which already have the Right to Vote on Taxes. In their two decades of combined experience, none of these states has experienced higher taxes, cluttered ballots, hampered tax reform, rampant litigation, or more targeted taxation. What they have experienced is this — in 1997, all three states ranked in the top 10 in personal income growth. Meanwhile, without the Right to Vote on Taxes, Montanans saw our pay drop to dead last in the nation! Dave Lewis, the Governor's budget director, checked into these other states and now says, "Vote FOR CI-75."

✓ Colorado and Arizona both have booming economies and tax surpluses precisely because voters enacted tax limitation in those states. CI-75 means blue skies, not fallen skies — lower taxes, better jobs, less bureaucracy, more freedom — and more take-home pay!

HAVE A SAY IN WHAT YOU PAY - VOTE FOR CI-75!

OPPONENTS' rebuttal of those supporting the issue

CI-75 IS BAD FOR TAXPAYERS, BAD FOR GOVERNMENT, AND BAD FOR CONSUMERS OF GOVERNMENT PROGRAMS AND SERVICES.

*CI-75 binds in concrete whatever bad tax system and/or rate of taxation we have now.

*CI-75 destroys representative democracy. It divests elected officials of responsibility and accountability for tax and spend policies.

* CI-75 invites constitutional challenge. One section repeals unmentioned existing constitutional provisions that may conflict with CI-75.

* CI-75 gives local governments no emergency authority to battle whatever fiscal crisis they might face nor meet new demands placed on their programs and services by increases in inflation and/or population.

* CI-75 denies all public officials and public employees of protection from civil liability for alleged violations of law created by CI-75.

VOTE "NO" on CI-75.

SENATE BILL NO. 184

INTRODUCED BY L. GROSFIELD, B. STORY, S. BARTLETT, S. DOHERTY, B. GLASER, M. HALLIGAN, J.
HARP, L. MCCULLOCH, M. NOENNIG, S. ORR, S. STANG, F. THOMAS, M. WATERMAN

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; ESTABLISHING
A PROCEDURE BY WHICH ~~ALL~~ MILL LEVIES MUST BE ESTABLISHED IN ORDER TO COMPLY WITH TAX
LIMITATIONS; ~~CHANGING HAIL INSURANCE PAYMENTS FROM A PROPERTY TAX LEVY TO A FEE~~
~~ASSESSMENT; PROVIDING FOR THE DISPOSITION OF PROPERTY TAXES COLLECTED ON CERTAIN~~
~~IMPROVEMENTS; REQUIRING THAT TAXES COLLECTED ON CERTAIN IMPROVEMENTS BE USED TO~~
~~REDUCE MILL LEVIES; PROVIDING AN EXEMPTION FOR A PORTION OF THE VALUE OF CERTAIN CLASS~~
~~FOUR PROPERTY; PHASING IN THE VALUE CHANGE IN CLASS FOUR PROPERTY OVER 4 YEARS;~~
~~PHASING IN A RATE REDUCTION FOR CLASS TEN PROPERTY; ALLOWING AN EXTENSION OF 1999~~
~~STATUTORY DEADLINES RELATING TO PROPERTY TAXES; PROVIDING FOR PERIODIC REAPPRAISAL~~
~~ON A 6-YEAR CYCLE AND THE PHASING IN OF NEW VALUES; PROVIDING FOR REIMBURSEMENT TO~~
~~LOCAL GOVERNMENTS, SCHOOLS, AND TAX INCREMENT DISTRICTS, UNDER CERTAIN CONDITIONS,~~
~~FOR LOSS OF PROPERTY TAX REVENUE; PROVIDING FOR AN INTERIM LOCAL GOVERNMENT FUNDING~~
~~AND STRUCTURE STUDY COMMITTEE AND AN INTERIM COURT FUNDING AND STRUCTURE STUDY~~
~~COMMITTEE; PROVIDING FOR AN APPROPRIATION APPROPRIATIONS; AMENDING SECTIONS 2-9-212,~~
~~2-9-316, 7-1-112, 7-1-114, 7-1-2103, 7-1-4123, 7-2-2246, 7-2-2730, 7-2-2743, 7-2-2746, 7-2-2749, 7-3-184,~~
~~7-3-1104, 7-3-1227, 7-3-1310, 7-3-1311, 7-3-4442, 7-6-1506, 7-6-2319, 7-6-2321, 7-6-2345, 7-6-2348, 7-6-2501,~~
~~7-6-2502, 7-6-2511, 7-6-2512, 7-6-2513, 7-6-2522, 7-6-4209, 7-6-4232, 7-6-4259, 7-6-4261, 7-6-4272, 7-6-4401,~~
~~7-6-4405, 7-6-4401, 7-6-4406, 7-6-4407, 7-6-4421, 7-6-4438, 7-6-4452, 7-6-4453, 7-7-2202, 7-11-1106,~~
~~7-11-1112, 7-12-1132, 7-12-1133, 7-12-2154, 7-12-2158, 7-12-2161, 7-12-2165, 7-12-2167, 7-12-2202,~~
~~7-12-4102, 7-12-4106, 7-12-4176, 7-12-4177, 7-12-4178, 7-12-4179, 7-12-4181, 7-12-4186, 7-12-4188,~~
~~7-12-4190, 7-12-4192, 7-12-4222, 7-12-4225, 7-12-4328, 7-12-4332, 7-12-4333, 7-12-4425, 7-12-4611, 7-13-124,~~
~~7-13-144, 7-13-216, 7-13-2221, 7-13-2302, 7-13-2528, 7-13-3020, 7-13-3027, 7-13-4309, 7-13-4406, 7-14-111,~~
~~7-14-232, 7-14-1111, 7-14-1131, 7-14-2101, 7-14-2205, 7-14-2501, 7-14-2502, 7-14-2503, 7-14-2731, 7-14-2801,~~
~~7-14-2807, 7-14-4106, 7-14-4643, 7-14-4644, 7-14-4703, 7-14-4713, 7-14-4734, 7-15-4281, 7-15-4324,~~
~~7-15-4283, 7-15-4286, 7-15-4292, 7-16-101, 7-16-2102, 7-16-2108, 7-16-2109, 7-16-2205, 7-16-2411, 7-16-2423,~~
~~7-16-2431, 7-16-2443, 7-16-4105, 7-16-4113, 7-16-4114, 7-21-3203, 7-21-3410, 7-21-3432, 7-21-3433,~~

1 7-22-2142, 7-22-2222, 7-22-2306, 7-22-2432, 7-22-2512, ~~7-22-4101~~, 7-32-4117, 7-33-2109, 7-33-2209,
 2 7-33-4111, 7-33-4130, 7-34-102, 7-34-2122, 7-34-2133, 7-34-2417, 7-35-2122, ~~40-3-405~~, 13-13-230, 15-1-402,
 3 ~~15-2-302~~, 15-2-301, 15-6-134, 15-6-143, 15-6-201, 15-7-102, 15-7-103, 15-7-111, 15-7-403, 15-8-111, ~~15-8-201~~,
 4 15-10-204, 15-10-205, 15-10-401, 15-10-402, 15-16-117, 15-16-203, 15-23-214, ~~15-24-922~~, 15-24-1402,
 5 15-24-1501, 15-24-1603, 15-36-323, ~~19-3-204~~, ~~19-7-404~~, ~~19-9-209~~, ~~19-13-214~~, ~~19-18-504~~, ~~19-19-301~~, 20-3-205,
 6 20-3-324, ~~20-6-413~~, 20-7-705, 20-7-714, 20-9-131, 20-9-141, 20-9-142, 20-9-151, 20-9-152, 20-9-168, ~~20-9-303~~,
 7 ~~20-9-308~~, 20-9-331, 20-9-333, 20-9-360, ~~20-9-366~~, 20-9-404, ~~20-9-438~~, ~~20-10-144~~, ~~20-10-145~~, ~~20-9-501~~,
 8 ~~20-10-144~~, ~~20-10-146~~, 20-10-147, 20-15-305, 20-15-311, 20-15-313, 20-15-314, 20-15-326, 20-25-423,
 9 20-25-439, 22-1-304, 22-1-316, 23-4-303, 41-5-1804, 50-2-111, 50-2-114, 53-2-322, 53-2-813, 53-20-208,
 10 67-10-402, 67-11-201, 67-11-301, 67-11-302, 75-10-112, 76-1-111, 76-1-403, 76-1-404, 76-1-405, 76-1-406,
 11 76-1-407, 76-2-102, 76-5-1116, 76-6-109, 76-15-501, ~~76-15-505~~, 76-15-516, 76-15-518, 76-15-623, ~~80-2-203~~,
 12 ~~80-2-204~~, ~~80-2-205~~, ~~80-2-207~~, ~~80-2-221~~, ~~80-2-222~~, ~~80-2-223~~, ~~80-2-225~~, ~~80-2-226~~, ~~80-2-228~~, ~~80-2-229~~, ~~80-2-230~~,
 13 ~~80-2-232~~, ~~80-2-244~~, ~~80-11-206~~, ~~81-6-104~~, ~~81-6-204~~, ~~81-6-209~~, ~~81-7-118~~, ~~81-7-201~~, ~~81-7-202~~, 81-8-504,
 14 85-3-422, 85-7-206, 85-7-307, 85-7-1953, 85-7-1973, 85-7-2104, 85-7-2117, 85-7-2134, 85-7-2136, 85-8-601,
 15 85-8-615, 85-8-618, 90-5-112, ~~90-6-309~~, ~~90-6-310~~, AND 90-6-403, MCA; AMENDING SECTION 1, SENATE BILL
 16 NO. 79, 1999; REPEALING SECTIONS 7-6-2514, 7-6-4405, AND 15-10-412, MCA; PROVIDING AN IMMEDIATE
 17 EFFECTIVE DATE, A TERMINATION DATE, AND A RETROACTIVE A RETROACTIVE APPLICABILITY DATE
 18 DATES DATE."

19

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

21

22 NEW SECTION. Section 1. Procedure for calculating levy. (1) A governmental entity authorized to
 23 impose a levy shall calculate AND IMPOSE UP TO the number of mills required to generate the amount of property
 24 tax actually collected IMPOSED in the governmental unit in the prior year PLUS THAT NUMBER OF MILLS APPLIED TO:
 25 _____ (A) THE VALUE OF NEW IMPROVEMENTS OR NEWLY TAXABLE PROPERTY IN THE GOVERNMENTAL UNIT;
 26 _____ (B) THE INCREASED VALUE OF PROPERTY AS A RESULT OF SUBDIVISION; AND
 27 _____ (C) THE INCREASED VALUE OF PROPERTY AS A RESULT OF RECLASSIFICATION.
 28 _____ (2) A governmental entity shall apply the levy calculated pursuant to subsection (1) plus any additional
 29 levies authorized by the voters to all property in the governmental unit.

30 (1) A GOVERNMENTAL ENTITY THAT IS AUTHORIZED TO IMPOSE MILLS MAY IMPOSE A MILL LEVY SUFFICIENT TO

1 GENERATE THE AMOUNT OF PROPERTY TAXES ACTUALLY ASSESSED IN THE PRIOR YEAR, EVEN IF THAT LEVY IS GREATER
 2 THAN THE LEVY ESTABLISHED BY LAW. THE MAXIMUM NUMBER OF MILLS THAT A GOVERNMENTAL ENTITY MAY IMPOSE IS
 3 ESTABLISHED BY CALCULATING THE NUMBER OF MILLS REQUIRED TO GENERATE THE AMOUNT OF PROPERTY TAX ACTUALLY
 4 ASSESSED IN THE GOVERNMENTAL UNIT IN THE PRIOR YEAR BASED ON THE CURRENT YEAR TAXABLE VALUE, LESS THE
 5 VALUE OF NEWLY TAXABLE PROPERTY.

6 (2) A GOVERNMENTAL ENTITY MAY APPLY THE LEVY CALCULATED PURSUANT TO SUBSECTION (1) PLUS ANY
 7 ADDITIONAL LEVIES AUTHORIZED BY THE VOTERS TO ALL PROPERTY IN THE GOVERNMENTAL UNIT, INCLUDING NEWLY
 8 TAXABLE PROPERTY.

9 (3) FOR PURPOSES OF THIS SECTION, NEWLY TAXABLE PROPERTY INCLUDES:

10 (A) ANNEXATION OF REAL PROPERTY AND IMPROVEMENTS INTO A TAXING UNIT;

11 (B) CONSTRUCTION, EXPANSION, OR REMODELING OF IMPROVEMENTS;

12 (C) TRANSFER OF PROPERTY INTO A TAXING UNIT;

13 (D) SUBDIVISION OF REAL PROPERTY;

14 (E) RECLASSIFICATION OF PROPERTY;

15 (F) TRANSFER OF PROPERTY FROM TAX-EXEMPT TO TAXABLE STATUS; AND

16 (G) REVALUATIONS CAUSED BY EXPANSION, ADDITION, REPLACEMENT, OR REMODELING OF IMPROVEMENTS.

17 ~~—— (3) A governmental unit shall refund or credit to the property taxpayers in the governmental unit any~~
 18 ~~amount of property tax collected in the governmental unit in excess of the amount of property tax collected in the~~
 19 ~~prior year that is not attributable to:~~

20 ~~—— (a) improvements made to property located in the governmental unit;~~

21 ~~—— (b) taxable personal property being moved into the governmental unit;~~

22 ~~—— (c) the boundary of a governmental unit being extended;~~

23 ~~—— (d) levies authorized by the voters of the governmental unit;~~

24 ~~—— (e) bonds authorized by the voters of the governmental unit.~~

25 ~~—— (4) A refund or credit required by subsection (3) must be prorated to all property taxpayers who paid~~
 26 ~~property taxes in the prior year and who continue to have a property tax liability in the current year. The refund~~
 27 ~~or credit made pursuant to subsection (3) must be made within 1 year after the prior year's tax payment deadline.~~
 28 ~~A refund must include an amount for interest on the excess at the rate of 10% a year. A credit on the following~~
 29 ~~year's tax liability must include an additional amount to provide interest at the rate of 10% a year on the amount~~
 30 ~~of credit calculated pursuant to this subsection.~~

1 ~~(3)(4) SUBSECTION (1) DOES NOT APPLY TO THE BASE BUDGET LEVY DEFINED IN 20-9-306, THE COUNTY LEVY~~
 2 ~~FOR RETIREMENT PROVIDED FOR IN 20-9-501, OR THE COUNTY LEVY FOR TRANSPORTATION PROVIDED FOR IN 20-10-144.~~
 3 ~~SCHOOL DISTRICT GENERAL FUND LEVIES AND THE SCHOOL DISTRICT LEVY FOR TUITION OBLIGATIONS ESTABLISHED IN~~
 4 ~~20-5-324(5).~~

5 ~~(4)(5) FOR PURPOSES OF SUBSECTION (1), TAXES IMPOSED DO NOT INCLUDE NET OR GROSS PROCEEDS TAXES~~
 6 ~~RECEIVED UNDER 15-6-131 AND 15-6-132.~~

7 ~~(5) IN CALCULATING A LEVY UNDER SUBSECTION (1), A GOVERNMENTAL ENTITY SHALL INCLUDE AS PROPERTY~~
 8 ~~TAXES IMPOSED ANY AMOUNT THAT THE STATE REIMBURSES THE GOVERNMENTAL ENTITY FOR REDUCTIONS OF PROPERTY~~
 9 ~~TAX OR ANY AMOUNT THAT THE GOVERNMENTAL ENTITY WITHHOLDS AS REIMBURSEMENT FOR REDUCTIONS OF PROPERTY~~
 10 ~~TAX.~~

11 ~~(6) EXCEPT AS PROVIDED IN SUBSECTION (7), A GOVERNMENTAL ENTITY MAY IMPOSE A MILL LEVY THAT IS~~
 12 ~~GREATER THAN THE LEVY ESTABLISHED BY LAW TO GENERATE THE AMOUNT OF PROPERTY TAXES ACTUALLY IMPOSED IN~~
 13 ~~THE PRIOR YEAR.~~

14 ~~(6) IN DETERMINING THE MAXIMUM NUMBER OF MILLS IN SUBSECTION (1), THE GOVERNMENTAL ENTITY SHALL~~
 15 ~~TAKE INTO ACCOUNT ANY CHANGE FROM THE PRIOR YEAR IN THE AMOUNT OF STATUTORY REIMBURSEMENTS FOR~~
 16 ~~CHANGES IN THE PROPERTY TAX LAWS. IT MAY INCREASE THE NUMBER OF MILLS TO ACCOUNT FOR A DECREASE IN~~
 17 ~~REIMBURSEMENTS AND SHALL DECREASE THE NUMBER OF MILLS TO FULLY ACCOUNT FOR ANY INCREASE IN~~
 18 ~~REIMBURSEMENTS.~~

19 ~~(7) THE DEPARTMENT SHALL CALCULATE THE NUMBER OF MILLS TO BE IMPOSED FOR PURPOSES OF [SECTION~~
 20 ~~1 OF SENATE BILL No. 79], 20-9-331, 20-9-333, 20-9-360, 20-25-423, 20-25-439, AND 53-2-813. HOWEVER, THE~~
 21 ~~NUMBER OF MILLS CALCULATED BY THE DEPARTMENT MAY NOT EXCEED THE MILL LEVY LIMITS ESTABLISHED IN THOSE~~
 22 ~~SECTIONS.~~

23 ~~(8) THE DEPARTMENT MAY ADOPT RULES TO IMPLEMENT THIS SECTION. THE RULES MAY INCLUDE A METHOD FOR~~
 24 ~~CALCULATING THE PERCENTAGE OF CHANGE IN VALUATION FOR PURPOSES OF DETERMINING THE ELIMINATION OF~~
 25 ~~PROPERTY, NEW IMPROVEMENTS, OR NEWLY TAXABLE PROPERTY IN A GOVERNMENTAL UNIT.~~

26
 27 ~~NEW SECTION. Section 2. Assessment of certain improvements. (1) IMPROVEMENTS COMPLETED~~
 28 ~~DURING THE TAX YEAR THAT WERE NOT ASSESSED OR TAXABLE AS OF THE PRECEDING JANUARY 1 OR IMPROVEMENTS~~
 29 ~~THAT HAVE BECOME THE PROPERTY OF A PERSON SUBJECT TO TAXATION MUST BE ASSESSED AND TAXED FROM THE DATE~~
 30 ~~OF OCCUPATION OR USE.~~

Montana Code Annotated 1999

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15-10-420. Procedure for calculating levy. (1) 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, even if that levy is greater than the levy established by law. 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 value of newly taxable property.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1) plus any additional levies authorized by the voters to all property in the governmental unit, including newly taxable property.

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

- (a) annexation of real property and improvements into a taxing unit;
- (b) construction, expansion, or remodeling of improvements;
- (c) transfer of property into a taxing unit;
- (d) subdivision of real property;
- (e) reclassification of property;
- (f) transfer of property from tax-exempt to taxable status; and
- (g) revaluations caused by expansion, addition, replacement, or remodeling of improvements.

(4) Subsection (1) does not apply to school district general fund levies and the school district levy for tuition obligations established in [20-5-324\(5\)](#).

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

(6) In determining the maximum number of mills in subsection (1), the governmental entity shall take into account any change from the prior year in the amount of statutory reimbursements for changes in the property tax laws. It may increase the number of mills to account for a decrease in reimbursements and shall decrease the number of mills to fully account for any increase in reimbursements.

(7) The department shall calculate the number of mills to be imposed for purposes of [15-10-107](#), [20-9-331](#), [20-9-333](#), [20-9-360](#), [20-25-423](#), [20-25-439](#), and [53-2-813](#). However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections.

(8) 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 property in a governmental unit.

History: En. Sec. 1, Ch. 584, L. 1999.

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Provided by Montana Legislative Services

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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 value of newly taxable property, 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) For purposes of this section, newly taxable property includes:

- (a) annexation of real property and improvements into a taxing unit;
- (b) construction, expansion, or remodeling of improvements;
- (c) transfer of property into a taxing unit;
- (d) subdivision of real property; and
- (e) transfer of property from tax-exempt to taxable status.

(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) For the purpose of subsection (3)(d), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property or as nonagricultural land as described in 15-6-133(1)(c).

(c) For the purposes of this section, newly taxable property does not include an increase in appraised value of land that was previously valued at 75% of the value of improvements on the land, as provided in 15-7-111(4) and (5), as those subsections applied on December 31, 2001.

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

- (a) school district levies established in Title 20; or
- (b) the portion of a governmental entity's property tax levy for premium contributions for group benefits excluded under 2-9-212 or 2-18-703.

(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 may increase the number of mills to account for a decrease in reimbursements.

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, 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 whole mills. If the mill levy calculation does not result in a whole number of mills, then the calculation must be rounded up to the nearest whole mill.

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

(i) a judgment levy under 2-9-316 or 7-7-2202;

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

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

(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) 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 property in a governmental unit.

History: En. Sec. 1, Ch. 584, L. 1999; amd. Secs. 6, 16(1), Ch. 11, Sp. L. May 2000; amd. Sec. 1, Ch. 191, L. 2001; amd. Sec. 1, Ch. 220, L. 2001; amd. Sec. 3, Ch. 361, L. 2001; amd. Sec. 3, Ch. 511, L. 2001; amd. Sec. 7, Ch. 571, L. 2001; amd. Sec. 94, Ch. 574, L. 2001.

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Provided by Montana Legislative Services

ELIMINATION OF SPECIFIC MILL LEVY CAPS AND FEE RATES

The committee recommends eliminating the mill-levy based funding caps and specific fee rates set in law. The mill levy caps are replaced with a county or city property tax limit. The committee recommends that the county and city commissioners have clear oversight authority and final budget control on the mills levied and fees established for all miscellaneous and special districts.

Mill Levy Caps

The committee recommends that all references to dollar limits as well as mill limits be removed from law, except for the statewide 95-mill levy for K-12 education, the 6-mill levy for the university system, and the 1½ mill levy for the vo-tech centers. The committee's intent is to have a section of law that lists the purposes for which county or city commissioners can levy property taxes, including a phrase for all other programs so the commissioners authority to levy property tax is as broad as possible. All other mill levy limits are to be repealed.

A uniform election procedure is to be established for authorizing a voted mill levy or exceeding the mill levy limit. The uniform election procedure is to be the I-105 election procedure. The time limit on voted mills is to be specified in the election rather than in the statute. The uniform election procedure also applies to cities and towns.

Source: Simplification In the 21st Century – Findings and Recommendations • December 2000

The Local Government Funding and Structure Committee

Committee Authorized by the 1999 Legislature (SB184)

Montana Code Annotated 2021

TITLE 15. TAXATION

CHAPTER 10. PROPERTY TAX LEVIES

Part 4. Limitation on Property Taxes

Procedure For Calculating Levy

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; 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).

(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.*)

History: En. Sec. 1, Ch. 584, L. 1999; amd. Secs. 6, 16(1), Ch. 11, Sp. L. May 2000; amd. Sec. 1, Ch. 191, L. 2001; amd. Sec. 1, Ch. 220, L. 2001; amd. Sec. 3, Ch. 361, L. 2001; amd. Sec. 3, Ch. 511, L. 2001; amd. Sec. 7, Ch. 571, L. 2001; amd. Sec. 94, Ch. 574, L. 2001; amd. Sec. 1, Ch. 115, L. 2003; amd. Sec. 1, Ch. 476, L. 2003; amd. Sec. 3, Ch. 376, L. 2005; amd. Sec. 3, Ch. 545, L. 2005; amd. Sec. 20, Ch. 521, L. 2007; amd. Sec. 26, Ch. 2, L. 2009; amd. Sec. 3, Ch. 57, L. 2009; amd. Sec. 27, Ch. 351, L. 2009; amd. Sec. 3, Ch. 412, L. 2009; amd. Sec. 9, Ch. 483, L. 2009; amd. Sec. 18, Ch. 347, L. 2011; amd. Sec. 2, Ch. 393, L. 2011; amd. Sec. 5, Ch. 411, L. 2011; amd. Sec. 22, Ch. 361, L. 2015; amd. Sec. 1, Ch. 328, L. 2017; amd. Sec. 7, Ch. 3, L. 2019; amd. Sec. 1, Ch. 332, L. 2019; amd. Sec. 9, Ch. 506, L. 2021.

15-10-420, MCA is the section of tax law that lays out the procedure for governments to calculate their maximum allowable mill. A governmental entity may levy enough mills such that it can raise the same budget as the previous year, plus half the average rate of inflation over the prior three years, and it may exclude any newly taxable property from that calculation.

What this looks like mechanically is that an entity starts with its budget from last year plus half the average rate of inflation of the past three years. This is the numerator of the equation. Next the entity considers the taxable value of property in the jurisdiction. The entity will subtract out any 'newly taxable property' as well as value in TIF districts and any Net and Gross Proceeds value. They now have a modified tax base that they will divide by their budget to achieve a tax rate. That tax rate, multiplied by 1,000, is the millage rate for the entity. Once the mills are established, the newly taxable property and Net and Gross Proceeds are added back into the tax base and multiplied by the established millage to yield the maximum budgetary authority of the entity.

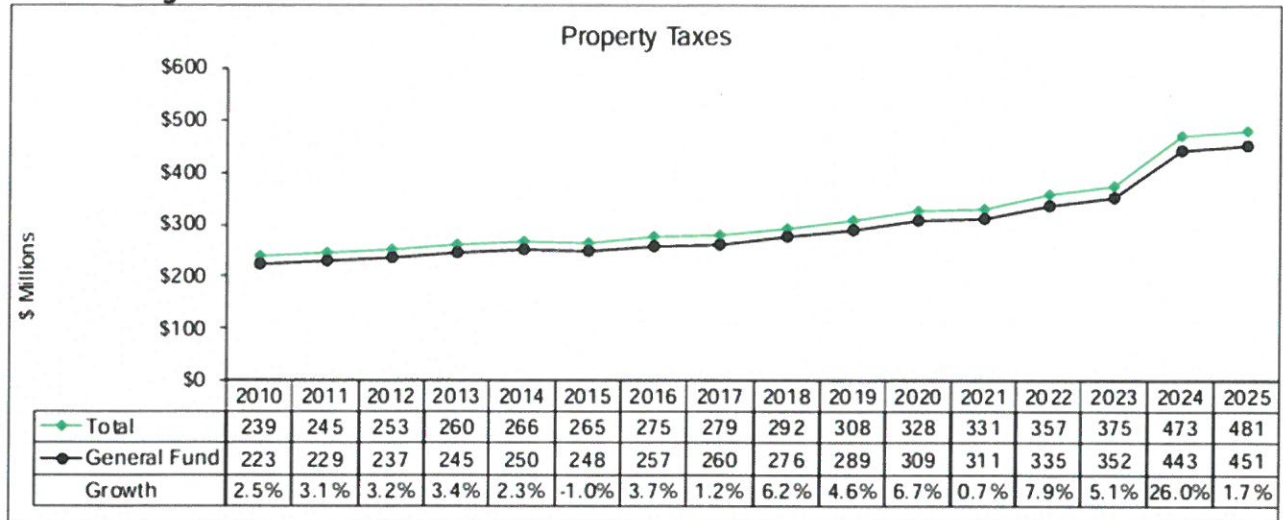
If an entity budgets for less than its maximum authority, it may bank the millage difference between its maximum allowable budget and its actual budget. In future years, if the calculation of 15-10-420 yields a maximum mill less than what the entity desires for funding, they can spend mills from their bank to result in their desired budget.

The state of Montana levies 22, 33, and 40 mills for the purpose of school funding equalization. These mills are subject to the calculation of 15-10-420, but may not exceed their respective limit. The Department of Revenue performs the calculations of 15-10-420 each year and applies it to these mills. Whenever the calculation results in a millage greater than the statutory maximum, the Department of Revenue banks those extra mills. That bank is spent on years when the calculation results in fewer mills than the statutory maximum. The table below shows the Department's banked mill authority for the combined 95 equalization mills for the last ten years and the **preliminary estimate** for Tax Year 2023.

Tax Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Calculated Mill	95.3	101.8	95.3	98.9	95.2	97.0	92.8	98.0	90.8	96.3	91.0	97.3	81.2
Mill Bank	19.7	26.5	26.8	30.7	30.9	32.9	30.7	33.7	29.5	30.8	26.7	29.0	15.2

In the early years of the table, the Legislature's preference for mitigating taxable value increases led to an artificially slower growing tax base. This generally caused mills to be banked over the period. Perhaps more impactful, the class 8 reductions in tax years 2012, 2014, and 2022 caused distinct increases in banked mills due to the smaller tax base necessitating higher millages to achieve revenue parity. Since 2015 and the switch to a two-year reappraisal cycle for most non-centrally properties and the choice not to mitigate taxable values caused by market appreciation, the mill calculation generally follows a tick-tock pattern of spending down authority in reappraisal years (when appreciation in taxable value causes the tax base to expand significantly) and banking authority in off-cycle years (when taxable value stays relatively constant outside newly taxable property). The general trend has been downward since 2015.

Revenue Projection



Source: Legislative Fiscal Division Revenue Estimate Volume II, 2023

Montana Code Annotated 2021

TITLE 20. EDUCATION

CHAPTER 25. UNIVERSITY SYSTEM

Part 4. Miscellaneous Finance

Vocational-Technical Education -- Mill Levy Required

20-25-439. Vocational-technical education -- mill levy required. (1) Subject to **15-10-420**, the boards of county commissioners of Cascade, Lewis and Clark, Missoula, Silver Bow, and Yellowstone Counties shall in each calendar year levy a tax of 1 1/2 mills on the dollar value of all taxable property, real and personal, located within the respective county.

(2) The funds from the mill levy must be deposited in the general fund and must be distributed for vocational-technical education on the basis of budgets approved by the board of regents.

History: En. Sec. 34, Ch. 308, L. 1995; amd. Sec. 122, Ch. 584, L. 1999.

Montana Code Annotated 2021

TITLE 20. EDUCATION CHAPTER 9. FINANCE

Part 3. Funding of Basic System of Quality Public Schools

Basic County Tax For Elementary Equalization And Other Revenue For County Equalization Of Elementary Base Funding Program

20-9-331. Basic county tax for elementary equalization and other revenue for county equalization of elementary BASE funding program. (1) Subject to **15-10-420**, the county commissioners of each county shall levy an annual basic county tax of 33 mills on the dollar of the taxable value of all taxable property within the county, except for property subject to a tax or fee under **61-3-321(2)** or (3), **61-3-529**, **61-3-537**, **61-3-562**, **61-3-570**, and **67-3-204**, for the purposes of elementary equalization and state BASE funding program support. The revenue collected from this levy must be apportioned to the support of the elementary BASE funding programs of the school districts in the county and to the state general fund in the following manner:

(a) In order to determine the amount of revenue raised by this levy that is retained by the county, the sum of the estimated revenue identified in subsection (2) must be subtracted from the total of the BASE funding programs of all elementary districts of the county.

(b) If the basic levy and other revenue prescribed by this section produce more revenue than is required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds to the department of revenue, as provided in **15-1-504**, for deposit to the state general fund immediately upon occurrence of a surplus balance and each subsequent month, with any final remittance due no later than June 20 of the fiscal year for which the levy has been set.

(2) The revenue realized from the county's portion of the levy prescribed by this section and the revenue from the following sources must be used for the equalization of the elementary BASE funding program of the county as prescribed in **20-9-335**, and a separate accounting must be kept of the revenue by the county treasurer in accordance with **20-9-212(1)**:

(a) the portion of the federal Taylor Grazing Act funds designated for the elementary county equalization fund under the provisions of **17-3-222**;

(b) the portion of the federal flood control act funds distributed to a county and designated for expenditure for the benefit of the county common schools under the provisions of **17-3-232**;

(c) all money paid into the county treasury as a result of fines for violations of law, except money paid to a justice's court, and the use of which is not otherwise specified by law;

(d) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's accounts for the various sources of revenue established or referred to in this section;

(e) any federal or state money distributed to the county as payment in lieu of property taxation, including federal forest reserve funds allocated under the provisions of **17-3-213**;

Montana Code Annotated 2021

TITLE 20. EDUCATION CHAPTER 9. FINANCE

Part 3. Funding of Basic System of Quality Public Schools

Basic County Tax For High School Equalization And Other Revenue For County Equalization Of High School Base Funding Program

20-9-333. Basic county tax for high school equalization and other revenue for county equalization of high school BASE funding program. (1) Subject to **15-10-420**, the county commissioners of each county shall levy an annual basic county tax of 22 mills on the dollar of the taxable value of all taxable property within the county, except for property subject to a tax or fee under **61-3-321(2)** or (3), **61-3-529**, **61-3-537**, **61-3-562**, **61-3-570**, and **67-3-204**, for the purposes of high school equalization and state BASE funding program support. The revenue collected from this levy must be apportioned to the support of the BASE funding programs of high school districts in the county and to the state general fund in the following manner:

(a) In order to determine the amount of revenue raised by this levy that is retained by the county, the sum of the estimated revenue identified in subsection (2) must be subtracted from the sum of the county's high school tuition obligation and the total of the BASE funding programs of all high school districts of the county.

(b) If the basic levy and other revenue prescribed by this section produce more revenue than is required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds to the department of revenue, as provided in **15-1-504**, for deposit to the state general fund immediately upon occurrence of a surplus balance and each subsequent month, with any final remittance due no later than June 20 of the fiscal year for which the levy has been set.

(2) The revenue realized from the county's portion of the levy prescribed in this section and the revenue from the following sources must be used for the equalization of the high school BASE funding program of the county as prescribed in **20-9-335**, and a separate accounting must be kept of the revenue by the county treasurer in accordance with **20-9-212(1)**:

(a) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's accounts for the various sources of revenue established in this section;

(b) any federal or state money distributed to the county as payment in lieu of property taxation, including federal forest reserve funds allocated under the provisions of **17-3-213**;

(c) gross proceeds taxes from coal under **15-23-703**; and

(d) oil and natural gas production taxes.

History: En. 75-6913 by Sec. 263, Ch. 5, L. 1971; amd. Sec. 2, Ch. 355, L. 1973; R.C.M. 1947, 75-6913; amd. Sec. 1, Ch. 277, L. 1983; amd. Sec. 2, Ch. 418, L. 1983; amd. Sec. 3, Ch. 699, L. 1983; amd. Sec. 2, Ch. 50, L. 1985; amd. Sec. 3, Ch. 265, L. 1985; amd. Sec. 3, Ch. 299, L. 1985; amd. Sec. 2, Ch. 552, L. 1985;

Montana Code Annotated 2021

TITLE 20. EDUCATION
CHAPTER 9. FINANCE

Part 3. Funding of Basic System of Quality Public Schools

State Equalization Aid Levy

20-9-360. State equalization aid levy. Subject to **15-10-420**, there is a levy of 40 mills imposed by the county commissioners of each county on all taxable property within the state, except property for which a tax or fee is required under **61-3-321(2)** or (3), **61-3-529**, **61-3-537**, **61-3-562**, **61-3-570**, and **67-3-204**. Proceeds of the levy must be remitted to the department of revenue, as provided in **15-1-504**, and must be deposited to the credit of the state general fund for state equalization aid to the public schools of Montana.

History: En. Sec. 50, Ch. 11, Sp. L. June 1989; amd. Sec. 30, Ch. 767, L. 1991; amd. Sec. 38, Ch. 509, L. 1995; amd. Sec. 5, Ch. 580, L. 1995; amd. Sec. 31, Ch. 422, L. 1997; amd. Sec. 12, Ch. 496, L. 1997; amd. Sec. 17, Ch. 515, L. 1999; amd. Sec. 113, Ch. 584, L. 1999; amd. Sec. 13, Ch. 257, L. 2001; amd. Sec. 19, Ch. 542, L. 2005.