

HOUSE BILL NO. 231

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A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; REVISING TAX RATES FOR CERTAIN CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY; PROVIDING A LOWER TAX RATE FOR CERTAIN OWNER-OCCUPIED RESIDENTIAL PROPERTY AND LONG-TERM RENTALS; PROVIDING A LOWER TAX RATE FOR A PORTION OF COMMERCIAL PROPERTY VALUE; PROVIDING ELIGIBILITY AND APPLICATION REQUIREMENTS; PROVIDING FOR AN APPEAL PROCESS; REVISING MILL LEVY ELECTION LAWS; LIMITING THE DURATION OF CERTAIN MILL LEVIES SUBMITTED TO VOTERS; LIMITING CERTAIN MILL LEVIES TO 10 YEARS WITHOUT VOTER REAPPROVAL; TERMINATING CERTAIN EXISTING VOTED MILL LEVIES UNLESS THEY ARE EXTENDED BEFORE THE TERMINATION DATE; PROVIDING DATES ON WHICH CERTAIN LEVIES TERMINATE; PROVIDING THAT THE RELEASE OF INCREMENTAL TAXABLE VALUE IS NOT CONSIDERED NEWLY TAXABLE PROPERTY FOR THE PURPOSE OF CALCULATING LOCAL GOVERNMENT LEVIES; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 7-15-4286, 15-6-134, 15-7-102, 15-10-420, 15-10-425, 15-15-101, 15-15-102, 15-15-103, 15-16-101, ~~AND 15-17-125, 20-9-336, AND 20-9-502~~, MCA; AND PROVIDING ~~AN IMMEDIATE~~ EFFECTIVE ~~DATE DATES~~, APPLICABILITY DATES, AND A TERMINATION DATE."

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

NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 7] and 15-6-134, the following definitions apply:

- (1) "Homestead reduced tax rate" means the tax rate provided for in 15-6-134(3)(b)(i).
- (2) "Long-term rental" means class four residential property:

department for that purpose in a manner prescribed by the department. The objection must be made no later than 30 days after the date of the denial notification sent pursuant to [section 3(4) or 4(6)].

(b) The property owner may request that the department consider extenuating circumstances to grant an application for the homestead reduced tax rate or the rental property reduced tax rate. Extenuating circumstances include but are not limited to extraordinary, unusual, or infrequent events that are material in nature and of a character different from the typical or customary, and that are not expected to recur.

(c) After the informal review, the department shall determine the correct status of the homestead reduced tax rate or the rental property reduced tax rate and notify the taxpayer of its determination by mail or electronically. In the notification, the department shall state its reasons for accepting or denying the application.

(2) If a property owner is aggrieved by the determination made by the department after the review provided for in subsection (1), the property owner has the right to first appeal to the county tax appeal board and then to the Montana tax appeal board, whose findings are final subject to the right of review in the courts. An appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days from the date on the notice of the department's determination. If the county tax appeal board or the Montana tax appeal board determines that the homestead reduced tax rate or the rental property reduced tax rate should apply, the department shall adjust the taxable value of the property in accordance with the board's order.

NEW SECTION. Section 7. Rulemaking authority. The department shall adopt rules that are necessary to implement and administer [sections 1 through 7].

Section 8. 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) (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

1 area or district.

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

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

9 (b) For targeted economic development districts and urban renewal areas created before April 6,
10 2017, the combined mill rates used to calculate the tax increment may not include the mill rates for the
11 university system mills levied pursuant to 15-10-109 and 20-25-439.

12 (c) For targeted economic development districts created on or after April 6, 2017, and before July
13 1, 2022, and urban renewal areas created on or after April 6, 2017, the combined mill rates used to calculate
14 the tax increment may not include mill rates for:

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

16 (ii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
17 increment provision.

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

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

21 (ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-
22 331, 20-9-333, and 20-9-360;

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

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

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

tax increment for:

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

(ii) the cost of issuing bonds; or

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

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

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

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

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

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

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

(6) For the purposes of subsections (2)(c)(ii) and (2)(d)(iii), a mill levy reapproved as provided in 15-10-425(2)(c) is not considered a new mill levy."

Section 9. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage -- definitions. (1) Class four property includes:

(a) ~~subject to subsection (1)(e),~~ all land, except that specifically included in another class;

(b) ~~subject to subsection (1)(e):~~

(i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;

(ii) appurtenant improvements to the residences, including the parcels of land upon which the

Section 11. Section 15-10-420, MCA, is amended to read:

"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 that arises because of an increase in the incremental taxable value within a district that uses tax increment financing ~~district or~~

~~(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 district that uses tax increment financing ~~district~~
because of:

- (i) a change in the district boundary ~~of a tax increment financing district;~~
- (ii) an increase in the base taxable value of the ~~tax increment financing~~ district pursuant to 7-15-4287; or
- (iii) the termination of a district that uses 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)(4)~~ Subject to subsection ~~(8)(7)~~, 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)(5)~~ 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)(6)~~ 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)(7)~~ 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)(8)~~ (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(3)(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)(8)(a)(ix)~~ is limited to the amount in the resolution creating the authority.

(b) A levy authorized under subsection ~~(9)(a)(8)(a)~~ may not be included in the amount of property taxes actually assessed in a subsequent year.

~~(40)(9)~~ 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)(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 value in a governmental unit."

Section 12. Section 15-10-425, MCA, is amended to read:

"15-10-425. Mill levy election. (1) A Subject to subsection (6), a county, consolidated government, incorporated city, incorporated town, school district, or other taxing entity may impose a new mill levy, increase a mill levy that is required to be submitted to the electors, or exceed the mill levy limit provided for in 15-10-420 by conducting an election as provided in this section. This section does not apply to bond elections.

(2) An election pursuant to this section must be held in accordance with Title 13, chapter 1, part 4 or 5, or Title 20 for school elections, whichever is appropriate to the taxing entity. The governing body shall pass a resolution, shall amend its self-governing charter, or must receive a petition indicating an intent to impose a new levy, increase a mill levy, or exceed the current statutory mill levy provided for in 15-10-420 on the approval of a majority of the qualified electors voting in the election. The resolution, charter amendment, or petition must include:

(a) the specific purpose for which the additional money will be used;

(b) either:

(i) the specific amount of money to be raised and the approximate number of mills to be imposed;

or

(ii) the specific number of mills to be imposed and the approximate amount of money to be raised;

and

(c) ~~whether the levy is permanent or~~ the durational limit ~~on~~ of the levy, which may not exceed 10 years except for those levies authorized in 20-9-308, 20-9-353, 20-9-502, 20-9-533, 20-15-305, 20-15-314, and 20-15-316 and levies that support law enforcement, fire protection, and emergency medical services.

(3) Notice of the election must be prepared by the governing body and given as provided in 13-1-108. The form of the ballot must reflect the content of the resolution or charter amendment and must include:

(a) the statement that "an increase in property taxes may lead to an increase in rental costs"; and

(b) a statement of the impact of the election on homes valued at \$100,000, \$300,000, and \$600,000 in the district in terms of actual dollars in additional property taxes that would be imposed on residences with those values if the mill levy were to pass. The ballot may also include a statement of the impact of the election on homes of any other value in the district, if appropriate.

(4) If the majority voting on the question are in favor of the additional levy, the governing body is

1 authorized to impose the levy in either the amount or the number of mills specified in the resolution or charter
2 amendment.

3 (5) A governing body, as defined in 7-6-4002, may reduce an approved levy in any fiscal year
4 without losing the authority to impose in a subsequent fiscal year up to the maximum amount or number of mills
5 approved in the election. However, nothing in this subsection authorizes a governing body to impose more than
6 the approved levy in any fiscal year or to extend the duration of the approved levy.

7 (6) (a) Except as provided in subsections (6)(b) and (6)(c) and unless reapproved by voters before
8 the termination date, all mill levies approved pursuant to this section terminate on December 31, 10 years after
9 approval by the electorate and every 10 years afterward.

10 (b) (i) If a mill levy was last approved by voters more than 5 years ago, the mill levy terminates on
11 December 31, 2028, and every 10 years afterward.

12 (ii) If a mill levy was last approved by voters 5 years ago or less, the mill levy terminates on
13 December 31, 2030, and every 10 years afterward.

14 (c) Subsections (6)(a) and (6)(b) do not apply to levies authorized in 20-9-308, 20-9-353, 20-9-
15 502, 20-9-533, 20-15-305, 20-15-314, and 20-15-316 or levies that support law enforcement, fire protection,
16 and emergency medical services.

17 (7) Beginning in the year 3 years before the termination date, a governing body may submit once a
18 year to the qualified electors a terminating levy for reapproval."

19
20 **Section 13.** Section 15-15-101, MCA, is amended to read:

21 **"15-15-101. County tax appeal board -- meetings and compensation.** (1) The board of county
22 commissioners of each county shall appoint a county tax appeal board, with a minimum of three members and
23 with the members to serve staggered terms of 3 years each. The members of each county tax appeal board
24 must be residents of the county in which they serve. A person may not be a member of a county tax appeal
25 board if the person was an employee of the department less than 36 months before the date of appointment.

26 (2) (a) The members receive compensation as provided in subsection (2)(b) and travel expenses,
27 as provided for in 2-18-501 through 2-18-503, only when the county tax appeal board meets to hear taxpayers'
28 appeals from property tax assessments or when they are attending meetings called by the Montana tax appeal

Section 18. Section 20-9-336, MCA, is amended to read:

"20-9-336. School equalization and property tax reduction account -- uses. (1) There is a school equalization and property tax reduction account in the state special revenue fund. Contingent on appropriation by the legislature, money in the account is for distribution to school districts as the second source of funding for state equalization aid as provided in 20-9-343. At fiscal yearend, any fund balance in the account exceeding what was appropriated must be transferred to the guarantee account established in 20-9-622.

(2) The account receives revenue as described in 20-9-331, 20-9-333, and 20-9-360.

(3) Beginning in fiscal year 2025, each December the superintendent of public instruction shall forecast the amount of revenue the account will receive in that fiscal year by dividing the sum of the taxable value of all property in the state reported by the department of revenue pursuant to 20-9-369 by 1,000 to determine a statewide value mill and then multiplying that amount by 95 mills, or the number of mills calculated by the department of revenue under 15-10-420~~(8)~~(7) for the applicable fiscal year. If the forecasted amount differs from the amount determined through the same calculation in the prior fiscal year by \$2 million or more and is:

(a) less, then the superintendent shall:

(i) decrease the multiplier used to calculate the statewide elementary and high school guaranteed tax base ratios used for funding BASE budgets under 20-9-366 to the nearest whole number determined by the superintendent to result in a decrease in the amount of guaranteed tax base aid distributed to eligible school districts equal to 85% of the decrease in the calculated amount between the 2 years; and

(ii) decrease the multiplier used to calculate the statewide elementary and high school mill value per ANB for school retirement guaranteed tax base purposes under 20-9-366 to the nearest whole number determined by the superintendent to result in a decrease in the amount of retirement guaranteed tax base aid distributed to eligible school districts equal to 15% of the decrease in the calculated amount between the 2 years;

(b) more, then the superintendent shall increase the multipliers used in the guaranteed tax base formulas under 20-9-366 and in the formula for school major maintenance aid under 20-9-525 to the nearest whole number by an amount calculated by the superintendent to result in an increase in the amount of

1 guaranteed tax base aid and school major maintenance aid distributed to eligible counties and school districts
2 equal to 55% of the increase in the calculated amount between the 2 years in the following order, with any
3 amount exceeding the caps under subsections (3)(b)(i) through (3)(b)(iii) flowing to the next mechanism:

4 (i) first, the multiplier used in calculating the statewide mill value per elementary and high school
5 ANB for retirement purposes, not to exceed 305%;

6 (ii) second, the multiplier used in calculating the amount of state school major maintenance aid
7 support for each dollar of local effort, not to exceed 365%; and

8 (iii) third, the multiplier used in calculating the facility guaranteed mill value per ANB for school
9 facility entitlement guaranteed tax base purposes, not to exceed 300%.

10 (4) (a) The adjustments to the multipliers under subsection (3) are applicable to state equalization
11 aid distributions in the fiscal year following the adjustment.

12 (b) Adjustments to the multipliers made under subsection (3) remain in effect in subsequent years
13 unless further changed under 20-9-366 or subsection (3) of this section or as otherwise provided by law."

14
15 **Section 19.** Section 20-9-502, MCA, is amended to read:

16 **"20-9-502. Purpose and authorization of building reserve fund -- subfund structure.** (1) The
17 trustees of any district may establish a building reserve fund to budget for and expend funds for any of the
18 purposes set forth in this section. Appropriate subfunds must be created to ensure separate tracking of the
19 expenditure of funds from voted and nonvoted levies and transfers for school safety pursuant to 20-9-236.

20 (2) (a) A voted levy may be imposed and a subfund must be created with the approval of the
21 qualified electors of the district for the purpose of raising money for the future construction, equipping, or
22 enlarging of school buildings or for the purpose of purchasing land needed for school purposes in the district. In
23 order to submit to the qualified electors of the district a building reserve proposition for the establishment of or
24 addition to a building reserve, the trustees shall pass a resolution that specifies:

25 (i) the purpose or purposes for which the new or addition to the building reserve will be used;

26 (ii) the duration of time over which the new or addition to the building reserve will be raised in
27 annual, equal installments;

28 (iii) the total amount of money that will be raised during the duration of time specified for the levy;

and

(iv) any other requirements under 15-10-425 and 20-20-201 for the calling of an election.

(b) Except as provided in subsection (4)(b), a building reserve tax authorization may not be for more than ~~20~~10 years.

(c) The election must be conducted in accordance with the school election laws of this title, and the electors qualified to vote in the election must be qualified under the provisions of 20-20-301. The ballot for a building reserve proposition must be substantially in compliance with 15-10-425.

(d) The building reserve proposition is approved if a majority of those electors voting at the election approve the establishment of or addition to the building reserve. The annual budgeting and taxation authority of the trustees for a building reserve is computed by dividing the total authorized amount by the specified number of years. The authority of the trustees to budget and impose the taxation for the annual amount to be raised for the building reserve lapses when, at a later time, a bond issue is approved by the qualified electors of the district for the same purpose or purposes for which the building reserve fund of the district was established. Whenever a subsequent bond issue is made for the same purpose or purposes of a building reserve, the money in the building reserve must be used for the purpose or purposes before any money realized by the bond issue is used.

(3) (a) A subfund must be created to account for revenue and expenditures for school major maintenance and repairs authorized under this subsection (3). The trustees of a district may authorize and impose a levy of no more than 10 mills on the taxable value of all taxable property within the district for that school fiscal year for the purposes of raising revenue for identified improvements or projects meeting the requirements of 20-9-525(2). The 10-mill limit under this subsection (3) must be calculated using the district's total taxable valuation most recently certified by the department of revenue under 15-10-202. The amount of money raised by the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to 20-9-525(3) may not exceed the district's school major maintenance amount. For the purposes of this section, the term "school major maintenance amount" means the sum of \$15,000 and the product of \$110 multiplied by the district's budgeted ANB for the prior fiscal year. To authorize and impose a levy under this subsection (3), the trustees shall:

(i) following public notice requirements pursuant to 20-9-116, adopt no later than March 31 of

each fiscal year a resolution:

(A) identifying the anticipated improvements or projects for which the proceeds of the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to 20-9-525(3) will be used; and

(B) estimating a total dollar amount of money to be raised by the levy, the deposits and transfers authorized under subsection (3)(f) of this section, anticipated state aid pursuant to 20-9-525(3), and the resulting estimated number of mills to be levied using the district's taxable valuation most recently certified by the department of revenue under 15-10-202; and

(ii) include the amount of any final levy to be imposed as part of its final budget meeting noticed in compliance with 20-9-131.

(b) Proceeds from the levy may be expended only for the purposes under 20-9-525(2), and the expenditure of the money must be reported in the annual trustees' report as required by 20-9-213.

(c) Whenever the trustees of a district impose a levy pursuant to this subsection (3) during the current school fiscal year, they shall budget for the proceeds of the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to 20-9-525(3) in the district's building reserve fund budget. Any expenditures of the funds must be made in accordance with the financial administration provisions of this title for a budgeted fund.

(d) When a tax levy pursuant to this subsection (3) is included as a revenue item on the final building reserve fund budget, the county superintendent shall report the levy requirement to the county commissioners by the later of the first Tuesday in September or within 30 calendar days after receiving certified taxable values and a levy on the district must be made by the county commissioners in accordance with 20-9-142.

(e) A subfund in the building reserve fund must be created for the deposit of proceeds from the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to 20-9-525(3).

(f) If the imposition of 10 mills pursuant to subsection (3)(a) is estimated by the trustees to generate an amount less than the maximum levy revenue specified in subsection (3)(a), the trustees may deposit additional funds from any lawfully available revenue source and may transfer additional funds from any

lawfully available fund of the district to the subfund provided for in subsection (3)(a), up to the difference between the revenue estimated to be raised by the imposition of 10 mills and the maximum levy revenue specified in subsection (3)(a). The district's local effort for purposes of calculating its eligibility for state school major maintenance aid pursuant to 20-9-525 consists of the combined total of funds raised from the imposition of 10 mills and additional funds raised from deposits and transfers in compliance with this subsection (3)(f).

(4) (a) A voted levy may be imposed and a subfund must be created with the approval of the qualified electors of the district to provide funding for transition costs incurred when the trustees:

- (i) open a new school under the provisions of Title 20, chapter 6;
- (ii) close a school;
- (iii) replace a school building;
- (iv) consolidate with or annex another district under the provisions of Title 20, chapter 6; or
- (v) receive approval from voters to expand an elementary district into a K-12 district pursuant to 20-6-326.

(b) Except as provided in subsection (4)(c), the total amount the trustees may submit to the electorate for transition costs may not exceed the number of years specified in the proposition times the greater of 5% of the district's maximum general fund budget for the current year or \$250 per ANB for the current year. The duration of the levy for transition costs may not exceed 6 years.

(c) If the levy for transition costs is for consolidation or annexation:

- (i) the limitation on the amount levied is calculated using the ANB and the maximum general fund budget for the districts that are being combined; and

- (ii) the proposition must be submitted to the qualified electors in the combined district.

(d) The levy for transition costs may not be considered as outstanding indebtedness for the purpose of calculating the limitation in 20-9-406.

(5) (a) A subfund in the building reserve fund must be created for:

- (i) the funds transferred to the building reserve fund for school safety and security pursuant to 20-9-236; and
- (ii) funds generated by a voter-approved levy for school and student safety and security pursuant to subsection (5)(b) of this section.

(b) A voted levy may be imposed with the approval of the qualified electors of the district to provide funding for improvements to school and student safety and security that meet any of the criteria set forth in 20-9-236(1)(a) through (1)(e). A voted levy for school and student safety and security may not be considered as outstanding indebtedness for the purpose of calculating the limitation in 20-9-406. The election for a voted levy for school and student safety and security must be conducted in accordance with the school election laws of this title, and the electors qualified to vote in the election must be qualified under the provisions of 20-20-301. The ballot for a building reserve proposition must be substantially in compliance with 15-10-425."

NEW SECTION. Section 20. Codification instruction. [Sections 1 through 7] are intended to be codified as an integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to [sections 1 through 7].

~~**NEW SECTION. Section 16. Effective date.** [This act] is effective on passage and approval.~~

COORDINATION SECTION. SECTION 21. COORDINATION INSTRUCTION. IF HOUSE BILL NO. 154 IS NOT PASSED BY THE LEGISLATURE AND IF [THIS ACT] IS PASSED BY THE LEGISLATURE AND CONTAINS A SECTION THAT AMENDS 15-6-134, THEN SUBSECTION (3)(B)(I)(A) OF 15-6-134 IN [THIS ACT] MUST BE REPLACED WITH THE FOLLOWING:

"(A) 0.74% FOR THE MARKET VALUE THAT IS 2 TIMES THE MEDIAN RESIDENTIAL VALUE OR LESS;"

NEW SECTION. Section 22. Effective dates. (1) Except as provided in subsection (2), [this act] is effective on passage and approval.

(2) [Sections 8, 11, 12, 18, and 19] are effective January 1, 2026.

NEW SECTION. Section 23. Applicability -- retroactive applicability. (1) Except as provided in ~~subsection-subsections (2) through (4)~~, [this act] applies retroactively to property tax years beginning after December 31, 2024.

(2) [Sections 3 and 4] apply to property tax years beginning after December 31, 2026.

