

HOUSE BILL NO. 451

INTRODUCED BY M. THANE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING TAX INCREMENT FINANCING LAWS RELATED TO THE LEVIES INCLUDED IN THE CALCULATION OF THE TAX INCREMENT; PROVIDING THAT CERTAIN SCHOOL LEVIES AND DEBT SERVICE LEVIES ARE EXCLUDED WHEN CALCULATING THE TAX INCREMENT FOR NEWLY CREATED DISTRICTS; AMENDING SECTION 7-15-4286, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

**Section 1.** Section 7-15-4286, 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 area or district.

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

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

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(b) For targeted economic development districts and urban renewal areas created before April 6, 2017, the combined mill rates used to calculate the tax increment may not include the mill rates for:

- (i) the university system mills levied pursuant to 15-10-109 and 20-25-439; and
- (ii) a new mill levy approved by voters as provided in 20-9-502(4) or (5)(b) after adoption of a tax increment provision.

(c) For targeted economic development districts created on or after April 6, 2017, and before July 1, 2022, and urban renewal areas created on or after April 6, 2017, and before [the effective date of this act], the combined mill rates used to calculate the tax increment may not include mill rates for:

- (i) the university system mills levied pursuant to 15-10-109 and 20-25-439; and
- (ii) a new mill levy approved by voters as provided in 15-10-425 or 20-9-502(4) or (5)(b) after the adoption of a tax increment provision.

(d) For targeted economic development districts created after June 30, 2022, and before [the effective date of this act], the combined mill rates used to calculate the tax increment may not include mill rates for:

- (i) the university system mills levied pursuant to 15-10-109 and 20-25-439;
- (ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-331, 20-9-333, and 20-9-360;
- (iii) a new mill levy approved by voters as provided in 15-10-425 or 20-9-502(4) or (5)(b) after the adoption of a tax increment provision; and
- (iv) any portion of an existing mill levy designated by the local government as excluded from the tax increment.

(e) For targeted economic development districts created on or after [the effective date of this act], the combined mill rates used to calculate the tax increment may not include mill rates for:

- (i) the university system mills levied pursuant to 15-10-109 and 20-25-439;
- (ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-331, 20-9-333, and 20-9-360;
- (iii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax

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1 increment provision;

2 (iv) any portion of an existing mill levy designated by the local government as excluded from the tax

3 increment;

4 (v) a mill levy imposed by a school district pursuant to 20-9-502(3); ~~and~~

5 (vi) a new mill levy approved by voters as provided in 20-9-502(4) or (5)(b) after adoption of a tax

6 increment provision; and

7 ~~(vi)~~(vii) mills levied to pay debt service on voted general obligation bonds.

8 (f) For an urban renewal area created on or after [the effective date of this act], the combined mill

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

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

11 (ii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax

12 increment provision;

13 (iii) any portion of an existing mill levy designated by the incorporated city or town or city-county

14 consolidated government as excluded from the tax increment;

15 (iv) a mill levy imposed by a school district pursuant to 20-9-502(3); ~~and~~

16 (v) a new mill levy approved by voters as provided in 20-9-502(4) or (5)(b) after adoption of a tax

17 increment provision; and

18 ~~(v)~~(vi) mills levied to pay debt service on voted general obligation bonds.

19 (3) (a) Subject to 7-15-4287 and subsection (3)(b) of this section, a targeted economic

20 development district with a tax increment provision adopted after October 1, 2019, may expend or accumulate

21 tax increment for:

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

23 (ii) the cost of issuing bonds; or

24 (iii) any pledge to the payment of the principal of any premium, if any, and interest on the bonds

25 issued pursuant to 7-15-4289 and sufficient to fund any reserve fund in respect of the bonds in an amount not

26 to exceed 125% of the maximum principal and interest on the bonds in any year during the term of the bonds.

27 (b) Any excess tax increment remaining after the use or accumulation of funds as set forth in

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1 subsection (3)(a) must be:

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

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

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

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

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

11

12 NEW SECTION. Section 2. Effective date. [This act] is effective on passage and approval.

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14 NEW SECTION. Section 3. Applicability. ~~(1) [This act] applies~~ [Section 1(2)(e) and section 1(2)(f)]  
15 apply to urban renewal areas and targeted economic development districts created on or after [the effective  
16 date of this act].

17 ~~(2) [Section 1(2)(b) through section 1(2)(d)] apply to voted levies approved as provided in 20-9-~~  
18 ~~502(4) or (5)(b) after [the effective date of this act].~~

19 - END -