

1 HOUSE BILL NO. 925  
2 INTRODUCED BY L. BREWSTER  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO TAX INCREMENT PLEDGED TO  
5 THE PAYMENT OF BONDS; REQUIRING REMITTANCE OF TAX INCREMENT THAT EXCEEDS THE  
6 AMOUNT NECESSARY TO PAY BONDS, AND A BOND RESERVE AMOUNT, AND DISTRICT  
7 ADMINISTRATIVE COSTS; REQUIRING REPORTS ON BONDS TO THE DEPARTMENT OF REVENUE;  
8 REQUIRING THE DEPARTMENT OF REVENUE TO INCLUDE IN THE BIENNIAL REPORT INFORMATION  
9 ON TAX INCREMENT PLEDGED TO THE PAYMENT OF BONDS; AMENDING SECTIONS 7-15-4286, 7-15-  
10 4289, AND 7-15-4291, AND 15-1-205, MCA; AND PROVIDING AN APPLICABILITY DATE."

11  
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13  
14 **Section 1.** Section 7-15-4286, MCA, is amended to read:

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

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

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

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- 1 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439; and
- 2 (ii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
- 3 increment provision.
- 4 (c) For targeted economic development districts created after June 30, 2022, the combined mill
- 5 rates used to calculate the tax increment may not include mill rates for:
- 6 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439;
- 7 (ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-
- 8 331, 20-9-333, and 20-9-360;
- 9 (iii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
- 10 increment provision; and
- 11 (iv) any portion of an existing mill levy designated by the local government as excluded from the tax
- 12 increment.
- 13 ~~(3) (a) Subject to 7-15-4287 and subsection (3)(b) of this section, a targeted economic development~~
- 14 ~~district with a tax increment provision adopted after October 1, 2019, may expend or accumulate tax increment~~
- 15 ~~for:~~
- 16 ~~(i) the payment of the costs listed in 7-15-4288;~~
- 17 ~~(ii) the cost of issuing bonds; or~~
- 18 ~~(iii) any pledge to the payment of the principal of any premium, if any, and interest on the bonds issued~~
- 19 ~~pursuant to 7-15-4289 and sufficient to fund any reserve fund in respect of the bonds in an amount not to~~
- 20 ~~exceed 125% of the maximum principal and interest on the bonds in any year during the term of the bonds.~~
- 21 ~~(b) Any excess tax increment remaining after the use or accumulation of funds as set forth in~~
- 22 ~~subsection (3)(a) must be:~~
- 23 ~~(i) remitted to each taxing jurisdiction for which the mill rates are included in the calculation of the tax~~
- 24 ~~increment as provided in subsections (1) and (2); and~~
- 25 ~~(ii) proportional to the taxing jurisdiction's share of the total mills levied.~~
- 26 ~~(c) A targeted economic development district is not subject to the provisions of this subsection (3) if~~
- 27 ~~bonds have not been issued to finance the project.~~

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

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

5 ~~(ii) maintain a reserve fund in respect of the bonds in an amount not to exceed 125% of the~~  
6 ~~maximum principal and interest on the bonds.~~

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

11 ~~(3) (A) SUBJECT TO 7-15-4287 AND SUBSECTIONS (3)(B) AND (3)(C) OF THIS SECTION, AN URBAN~~  
12 ~~RENEWAL AREA OR TARGETED ECONOMIC DEVELOPMENT DISTRICT WITH A TAX INCREMENT PROVISION ADOPTED AFTER~~  
13 ~~[THE EFFECTIVE DATE OF THIS ACT] MAY EXPEND OR ACCUMULATE TAX INCREMENT FOR:~~

14 ~~(I) THE PAYMENT OF ADMINISTRATIVE COSTS LISTED IN 7-15-4288(7);~~

15 ~~(II) THE COST OF ISSUING BONDS; OR~~

16 ~~(III) ANY PLEDGE TO THE PAYMENT OF THE PRINCIPAL OF ANY PREMIUM, IF ANY, AND INTEREST ON THE~~  
17 ~~BONDS ISSUED PURSUANT TO 7-15-4289 AND SUFFICIENT TO FUND ANY RESERVE FUND IN RESPECT OF THE BONDS IN AN~~  
18 ~~AMOUNT NOT TO EXCEED 125% OF THE MAXIMUM PRINCIPAL AND INTEREST ON THE BONDS IN ANY YEAR DURING THE~~  
19 ~~TERM OF THE BONDS.~~

20 ~~(B) ANY EXCESS TAX INCREMENT REMAINING AFTER THE USE OR ACCUMULATION OF FUNDS AS SET FORTH~~  
21 ~~IN SUBSECTION (3)(A) MUST BE:~~

22 ~~(I) REMITTED TO EACH TAXING JURISDICTION FOR WHICH THE MILL RATES ARE INCLUDED IN THE~~  
23 ~~CALCULATION OF THE TAX INCREMENT AS PROVIDED IN SUBSECTIONS (1) AND (2); AND~~

24 ~~(II) PROPORTIONAL TO THE TAXING JURISDICTION'S SHARE OF THE TOTAL MILLS LEVIED.~~

25 ~~(C) AN URBAN RENEWAL AREA OR TARGETED ECONOMIC DEVELOPMENT DISTRICT IS NOT SUBJECT TO THE~~  
26 ~~PROVISIONS OF THIS SUBSECTION (3) IF THE PLEDGE OF TAX INCREMENT TO THE PAYMENT OF THE PRINCIPAL OF ANY~~  
27 ~~PREMIUM AND INTEREST ON BONDS DOES NOT EXTEND THE TERMINATION OF THE DISTRICT BEYOND THE PERIOD~~

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1 PROVIDED FOR IN 7-15-4292(1)(A).

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

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

6

7 **Section 2.** Section 7-15-4289, MCA, is amended to read:

8 **"7-15-4289. Use of tax increments for bond payments.** (1) The tax increment may be pledged to  
9 the payment of the principal of premiums, if any, and interest on bonds that the local government may issue for  
10 the purpose of providing funds to pay those costs.

11 (2) An urban renewal area or targeted economic development district that pledges tax increment to  
12 the payment of the principal of premium and interest on bonds shall report annually to the department of  
13 revenue on:

14 (a) the amount of the bond issue;

15 (b) the bond terms and expected payments;

16 (c) the current balance due; and

17 (d) projects funded with the bonds."

18

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

20 ~~**"7-15-4291. Voluntary agreement to remit unused portion of urban renewal district tax**~~

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

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

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1 ~~(b) — require that the remittance be proportional to the taxing jurisdiction's share of the total mills~~  
2 ~~levied.~~

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

5 ~~(a) — must be used to reduce property taxes or designated as operating reserve pursuant to 20-9-~~  
6 ~~104 for the fiscal year following the fiscal year in which the remittance was received;~~

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

9 ~~(i) — general fund;~~

10 ~~(ii) — bus depreciation reserve fund;~~

11 ~~(iii) — debt service fund;~~

12 ~~(iv) — building reserve fund;~~

13 ~~(v) — technology acquisition and depreciation fund; and~~

14 ~~(c) — may not be transferred to any fund.~~

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

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

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

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

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

27

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1 **Section 3.** Section 15-1-205, MCA, is amended to read:

2 **"15-1-205. Biennial report -- contents.** (1) The department shall transmit to the governor 20 days  
3 before the meeting of the legislature and make available to the legislature and the public a report of the  
4 department showing all the taxable property of the state, counties, and cities and its value. The department  
5 shall follow the provisions of 5-11-210 in preparing the report for the legislature.

6 (2) The report must also include the statewide average effective tax rate of taxable property in  
7 each class of property. The department may determine whether an appropriate effective tax rate may be  
8 derived for net proceeds, gross proceeds, agricultural land, and forest land.

9 (3) The report or supplements to the report must also include:

10 (a) the gross dollar amount of revenue loss attributable to:

11 (i) personal income and corporate income tax exemptions;

12 (ii) property tax exemptions for which application to the department is necessary;

13 (iii) deferral of income;

14 (iv) credits allowed against Montana personal income tax or Montana corporate income tax,  
15 reported separately;

16 (v) deductions from income; and

17 (vi) any other identifiable preferential treatment of income or property;

18 (b) any change in tax revenue of the state or any unit of local government attributable to a change  
19 in federal tax law;

20 (c) any change in the revenue of any unit of local government attributable to a change in state tax  
21 law;

22 (d) the year of enactment and provision of the Montana Code Annotated granting the tax benefits  
23 in subsection (3)(a); ~~and~~

24 (e) the number of taxpayers benefiting from each of the tax provisions listed in subsection (3)(a);  
25 and

26 (f) information reported to the department pursuant to 7-15-4289 by an urban renewal area or  
27 targeted economic development district that pledges tax increment to the payment of the principal of premium

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1 and interest on bonds.

2 (4) A distributional analysis of the data described in subsection (3) must be related to the income  
3 level and age of the taxpayer whenever the information is available.

4 (5) (a) When reporting the data described in subsection (3)(a), the department shall identify any  
5 known purpose of the preferential treatment.

6 (b) Based upon the purpose of the preferential treatment, the department shall outline the  
7 available data necessary to determine the effectiveness of the preferential treatment.

8 (6) In reporting the data described in subsection (3), the department shall report any comparable  
9 data, if available, from Wyoming, Idaho, North Dakota, and South Dakota and from any other state the  
10 department may choose.

11 (7) The department shall identify in a separate section of the report any changes that have been  
12 made or that are contemplated in property appraisal or assessment.

13 (8) The department may include a report, prepared by the department of transportation, showing  
14 the selling price of gasoline at the wholesale level in prime market centers of Montana and in surrounding  
15 states during the biennium, with indexes tabulated at sufficient intervals to show the comparative state price  
16 structures.

17 (9) The department shall provide an internet version of the report free of charge to the public and  
18 shall charge a fee for paper copies that is commensurate with the cost of printing the report."

19  
20 NEW SECTION. Section 4. Applicability. [This act] applies to all urban renewal areas and targeted  
21 economic development districts that have pledged tax increment to the payment of bonds ADOPT A TAX  
22 INCREMENT PROVISION AFTER [THE EFFECTIVE DATE OF THIS ACT].

23 - END -