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SENATE BILL NO. 517

INTRODUCED BY D. HAYMAN, E. MCCLAFFERTY

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A GRADUATED FEE ON SHORT-TERM RENTALS; PROVIDING THAT THE SHORT-TERM RENTAL FEE IS USED FOR A GRANT PROGRAM TO PROVIDE AFFORDABLE HOUSING; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 90-6-132, 90-6-133, 90-6-134, AND 90-6-136, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

NEW SECTION. **Section 1. Short-term rental fee -- distribution -- definitions.** (1) A short-term rental is subject to an annual fee as provided in this section.

(2) (a) Except as provided in subsection (2)(b), the owner of a short-term rental shall pay an annual fee for each short-term rental as follows:

- (i) 1% of gross receipts for the first 5 units;
- (ii) 2% of gross receipts for the next 5 units; and
- (iii) 3% of gross receipts for units in excess of 10 units;

(b) The short-term rental fee does not apply to a short-term rental that is part of a property owner's primary residence or an accessory dwelling unit on the same property as the primary residence.

(c) For the purposes of determining the fee under subsection (2)(a), a short-term rental is considered to have the same owner if the units are owned by:

- (i) the same individual;
- (ii) members of the same immediate family; or
- (iii) a corporation, partnership, trust, or association controlled by the individual or the individual's immediate family member.

(3) The department of revenue shall collect the short-term rental fee with the fourth quarter return provided for in 15-68-502.

1 (4) (a) Except as provided in subsection (4)(b), the provisions of Title 15, chapter 68, part 5, apply
2 to the short-term rental fee.

3 (b) The owner of a short-term rental may not claim the vendor allowance provided for in 15-68-510
4 for the short-term rental fee.

5 (5) The department shall deposit the short-term rental fee in the housing Montana fund provided
6 for in 90-6-133.

7 (6) As used in this section, the following definitions apply:

8 (a) "Accessory dwelling unit" means a self-contained living unit subordinate to and on the same
9 parcel as a single-family dwelling that includes its own cooking, sleeping, and sanitation facilities and is created
10 within or detached from the single-family dwelling, including but not limited to an attached or detached garage.

11 (b) (i) "Gross receipts" means the total amount received by the owner for offering a short-term
12 rental for a fee.

13 (ii) The term does not include taxes collected under Title 7, chapter 6, part 15, or Title 15, chapter
14 65 or 68.

15 (c) "Primary residence" means a dwelling in which a taxpayer can demonstrate the taxpayer lived
16 for at least 7 months of the year and that is the only residence claimed as a primary residence by the taxpayer.

17 (d) "Short-term rental" has the meaning provided in 15-68-101.
18

19 **NEW SECTION. Section 2. Housing Montana fund -- grants.** (1) Revenue in the housing Montana
20 fund from the short-term rental fee provided for in [section 1] must be used to provide grants for project
21 planning, new construction, property acquisition, and rehabilitation of affordable homes targeted for low-income
22 and moderate-income households and for the administrative costs of the grant program. The projects that are
23 awarded grants must be located within communities with adequate public water and wastewater infrastructure.

24 (2) The board shall administer and define specifics of the grant program and the distribution of the
25 funds.

26 (3) The board may award grants to state agencies or programs, local governments, tribal
27 governments, local housing authorities, nonprofit community-based or neighborhood-based organizations,
28 regional or statewide nonprofit housing assistance organizations, or for-profit housing developers.

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Section 3. Section 90-6-132, MCA, is amended to read:

"90-6-132. Definitions. As used in 90-6-131 through 90-6-137, the following definitions apply:

(1) "Board" means the board of housing created in 2-15-1814.

(2) "Coal tax trust fund" means the trust fund created pursuant to Article IX, section 5, of the Montana constitution.

(3) "Fund" means the housing Montana fund created in 90-6-133.

(4) "Housing development" has the meaning provided in 90-6-103.

(5) "Low-income" means households whose incomes do not exceed 80% of the median income in the area, as determined by the United States department of housing and urban development, with adjustments for smaller or larger families.

(6) "Moderate-income" means households whose incomes are between 81% and 95% of the median income for the area, as determined by the United States department of housing and urban development, with adjustments for smaller and larger families.

(7) "Water and wastewater infrastructure" means tangible facilities and assets related to water, sewer, wastewater treatment, and storm water."

Section 4. Section 90-6-133, MCA, is amended to read:

"90-6-133. Housing Montana fund -- administration. (1) (a) There is a housing Montana fund in the housing authority enterprise fund provided for in 90-6-107. The money in the fund is allocated to the board for the purpose of providing loans to eligible applicants purposes provided in this section.

(b) Money ~~Except as provided in subsection (2)(c), money~~ in the housing Montana fund must be disbursed as loans. Twenty percent of the money in the fund must be disbursed to rural areas based on population, ~~and 50% must be disbursed to assist people living on incomes of not more than 50% of the local median family income.~~

(2) (a) Except as provided in ~~subsection~~ subsections (2)(b) and (2)(c), money deposited in the fund must be used for the program authorized in 90-6-134 and may not be used to pay the expenses of any other program or service administered by the board.

1 (b) Money transferred to the account pursuant to section 2, Chapter 502, Laws of 2001, may be
2 used only for the purposes authorized by the temporary assistance for needy families block grant pursuant to
3 Title IV of the Social Security Act, 42 U.S.C. 601, et seq.

4 (c) Revenue from the short-term rental fee provided for in [section 1] must be used to provide
5 grants for affordable housing developments served by water and wastewater infrastructure as provided in
6 [section 2] and to pay the administrative costs of the grant program.

7 (3) The board may determine the rate of interest to be charged for any loan made under the
8 provisions of 90-6-131 through 90-6-136.

9 (4) The board may accept contributions, gifts, and grants for deposit into the fund. The money
10 must be used in accordance with the provisions of 90-6-134.

11 (5) The costs incurred by the board in administering the fund may be paid from the fund.

12 (6) Interest and principal on loans from the fund must be repaid to the fund.

13 (7) Interest income generated by investment of the principal of the fund is retained in the fund."
14

15 **Section 5.** Section 90-6-134, MCA, is amended to read:

16 **"90-6-134. Housing Montana fund -- loan capital restricted to interest on principal -- eligible**
17 **applicants.** (1) ~~The Except as provided in 90-6-133(2)(c), the~~ money in the housing Montana fund must be
18 used to provide financial assistance in the form of direct loans by the board to eligible applicants.

19 (2) After the initial principal is loaned to eligible applicants, the amount of loans made in a fiscal
20 year is contingent on the repayment of loan principal and on the amount of interest income generated by the
21 principal of the fund.

22 (3) ~~Money from the fund~~ The loans must be used to provide:

23 (a) matching funds for public or private money available from other sources for the development of
24 low-income and moderate-income housing;

25 (b) bridge financing necessary to make a low-income housing development or a moderate-income
26 housing development financially feasible;

27 (c) acquisition of existing housing for the purpose of preservation of or conversion to low-income or
28 moderate-income housing;

Amendment - 1st Reading-white - Requested by: Denise Hayman - (S) Taxation

- 2023

68th Legislature 2023

Drafter: Megan Moore, 406-444-4496

SB0517.001.001

- 1 (d) preconstruction technical assistance to eligible recipients in rural areas and small cities and
2 towns; or
- 3 (e) acquisition of land for housing developments, land banking and land trusts, and short-term site-
4 based housing vouchers for needy individuals.
- 5 (4) (a) Technical assistance under subsection (3)(d) may include but is not limited to:
6 (i) financial planning and packaging for housing developments and projects;
7 (ii) project design, architectural planning, and siting;
8 (iii) compliance with planning and permitting requirements; or
9 (iv) maximizing local government contributions to project development in the form of land
10 donations, infrastructure improvements, zoning variances, or creative local planning.
- 11 (b) The board may contract with a nonprofit organization to provide this technical assistance.
- 12 (5) ~~Money from the fund~~ The loans may not be used to replace existing or available sources of
13 funding for eligible activities.
- 14 (6) Organizations eligible for loans from the fund are state government or state agencies or
15 programs, local governments, tribal governments, local housing authorities, nonprofit community- or
16 neighborhood-based organizations, regional or statewide nonprofit housing assistance organizations, or for-
17 profit housing developers."

18
19 **Section 6.** Section 90-6-136, MCA, is amended to read:

20 **"90-6-136. Administrative rules.** The board shall adopt rules to implement 90-6-131 through 90-6-
21 137 and [section 2]. The rules must address:

- 22 (1) the development of eligibility criteria for applicants;
23 (2) the development of an application process for requesting financial assistance and grants;
24 (3) the establishment of a procedure for disbursing financial assistance and grants;
25 (4) the establishment of the terms and conditions of a loan, including the method and schedule of
26 repayment and the applicable rate of interest;
27 (5) the development of a process for awarding technical assistance contracts; and
28 (6) other matters necessary for the administration of 90-6-131 through 90-6-137 and [section 2]."

Amendment - 1st Reading-white - Requested by: Denise Hayman - (S) Taxation

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2 NEW SECTION. Section 7. Codification instruction. (1) [Section 1] is intended to be codified as an
3 integral part of Title 15, chapter 68, and the provisions of Title 15, chapter 68, apply to [section 1].

4 (2) [Section 2] is intended to be codified as an integral part of Title 90, chapter 6, part 1, and the
5 provisions of Title 90, chapter 6, part 1, apply to [section 2].

6

7 NEW SECTION. Section 8. Effective date. [This act] is effective on passage and approval.

8

9 NEW SECTION. Section 9. Applicability. [This act] applies to short-term rentals offered for a fee
10 after June 30, 2023.

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- END -