

1 SENATE BILL NO. 523
2 INTRODUCED BY G. HERTZ
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAX INCREMENT FINANCING LAWS;
5 REQUIRING THE QUALIFIED ELECTORS TO APPROVE A TAX INCREMENT FINANCING PROVISION;
6 REQUIRING THE QUALIFIED ELECTORS TO APPROVE THE ISSUANCE OF BONDS PAID WITH TAX
7 INCREMENT; REMOVING SCHOOL LEVIES FROM THE CALCULATION OF THE TAX INCREMENT;
8 LIMITING TAX INCREMENT FINANCING PROVISIONS TO 20 YEARS; PROVIDING THAT EXISTING TAX
9 INCREMENT FINANCING PROVISIONS THAT EXCEED 20 YEARS MAY ONLY RETAIN INCREMENT
10 SUFFICIENT TO PAY BONDS; REQUIRING THE LOCAL GOVERNING BODY TO APPROVE ALL
11 EXPENDITURES OF TAX INCREMENT; PROHIBITING THE ADOPTION OF A TAX INCREMENT
12 FINANCING PROVISION IF THE INCREMENTAL TAXABLE VALUE OF ALL URBAN RENEWAL AREAS
13 THAT HAVE ADOPTED TAX INCREMENT FINANCING PROVISIONS EXCEEDS 7% OF THE TOTAL
14 TAXABLE VALUE OF THE TAXING JURISDICTION; LIMITING THE EXPENDITURE OF TAX INCREMENT
15 FOR ADMINISTRATIVE COSTS; PROHIBITING THE USE OF TAX INCREMENT TO PURCHASE LAND;
16 ALLOWING THE USE OF TAX INCREMENT FOR ROAD CONSTRUCTION; REVISING DEFINITIONS;
17 AMENDING SECTIONS 7-15-4206, 7-15-4210, 7-15-4211, 7-15-4215, 7-15-4221, 7-15-4232, 7-15-4233, 7-15-
18 4258, 7-15-4259, 7-15-4282, 7-15-4283, 7-15-4286, 7-15-4288, 7-15-4289, 7-15-4290, 7-15-4291, 7-15-4292,
19 7-15-4301, 7-15-4302, 7-15-4324, 17-6-316, 70-30-102, AND 71-3-1506, MCA; AND PROVIDING A DELAYED
20 EFFECTIVE DATE AND AN APPLICABILITY DATE."

21
22 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

23
24 **Section 1.** Section 7-15-4206, MCA, is amended to read:

25 **"7-15-4206. Definitions.** The following terms, wherever used or referred to in part 43 or this part,
26 have the following meanings unless a different meaning is clearly indicated by the context:

- 27 (1) "Agency" or "urban renewal agency" means a public agency created by 7-15-4232.
28 (2) "Blighted area" means an area that ~~is conducive to ill health, transmission of disease, infant~~

1 products or commodities or a business or organization that is engaged in technology-based operations within
2 the state that, through the employment of knowledge or labor, adds value to a product, process, or export
3 service resulting in the creation of new wealth.

4 (8) "Targeted economic development district" means a district created pursuant to 7-15-4277
5 through 7-15-4280.

6 (9) "Tax increment" means the collections realized from extending the tax levies, expressed in
7 mills, of all taxing bodies in which the urban renewal area or targeted economic development district or a part of
8 the area or district is located against the incremental taxable value.

9 (10) "Tax increment provision" means a provision for the segregation and application of tax
10 increments as authorized by 7-15-4282 through 7-15-4294.

11 (11) "Taxes" means all taxes levied by a taxing body against property on an ad valorem basis.

12 (12) (a) "Taxing body" means any incorporated city or town, county, city-county consolidated local
13 government, ~~school district~~, or other political subdivision or governmental unit of the state, including the state,
14 that levies taxes against property within the urban renewal area or targeted economic development district.

15 (b) The term does not include a school district.

16 (13) "Value-adding" means a project or a business that creates or increases economic opportunity
17 in an area through investment in facilities, land, improvements, or equipment, including but not limited to
18 manufacturing, technology, recreation, and tourism."

19
20 **Section 12.** Section 7-15-4286, MCA, is amended to read:

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

28 (b) After-On or after [the effective date of this act], the mill rate ~~does~~ may not include mills levied by

1 a school district, ~~unless the~~ which must be paid to the school district as provided by law, must remain solely
2 devoted to school purposes, and the revenue for which may not be directed to the tax increment. The exclusion
3 of the school district mills ~~affects the ability of an urban renewal area or targeted economic development district~~
4 to pay the principal of premiums and interest does not apply to the payment of the debt service obligation on
5 existing bonds issued by an urban renewal area or targeted economic development district before [the effective
6 date of this act].

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

11 (b) For targeted economic development districts and urban renewal areas created before April 6,
12 2017, the combined mill rates of taxing bodies used to calculate the tax increment may not include the mill rates
13 for the university system mills levied pursuant to 15-10-109 and 20-25-439.

14 (b)(c) For targeted economic development districts ~~in existence prior to~~ created on or after April 6,
15 2017, and before July 1, 2022, and urban renewal areas created on or after April 6, 2017, the combined mill
16 rates of taxing bodies used to calculate the tax increment may not include mill rates for:

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

20 (e)(d) For targeted economic development districts created after June 30, 2022, the combined mill
21 rates of taxing bodies used to calculate the tax increment may not include mill rates for:

- 22 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439;
23 (ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-
24 331, 20-9-333, and 20-9-360;
25 (iii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
26 increment provision; and
27 (iv) any portion of an existing mill levy designated by the local government as excluded from the tax
28 increment.

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

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

5 (ii) the cost of issuing bonds; or

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

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

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

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

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

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

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

20

21 **Section 13.** Section 7-15-4288, MCA, is amended to read:

22 **"7-15-4288. Costs that may be paid by tax increment financing.** ~~The tax increments may be used~~
23 ~~by the (1) The~~ local government shall approve the use of tax increments to pay the following costs of or
24 incurred in connection with an urban renewal area or targeted economic development district as identified in the
25 urban renewal plan or targeted economic development district comprehensive development plan:

26 ~~(1) land acquisition;~~

27 ~~(2)(a)~~ demolition and removal of structures;

28 ~~(3)(b)~~ relocation of occupants;