

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAXES; REVISING
5 GOVERNMENTAL ENTITY LIMITS ON PROPERTY TAX INCREASES; INCREASING THE RATE OF
6 INFLATION LIMITATION IMPOSED ON GOVERNMENTAL ENTITIES FOR CALCULATING PROPERTY TAX
7 LEVIES; PROVIDING THAT A PORTION OF NEWLY TAXABLE PROPERTY IS SUBJECT TO THE MILL
8 LEVY LIMITATION CALCULATION; PROVIDING THAT A LOCAL GOVERNMENT MAY CREATE A LARGE
9 TAXPAYER RESERVE ACCOUNT; AMENDING SECTIONS 7-6-4431 AND 15-10-420, MCA; PROVIDING AN
10 APPLICABILITY DATE."

11

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

13

14 **NEW SECTION. Section 1. Local government large taxpayer reserve account -- expenditure**
15 **restrictions.** (1) The governing body of a city, county, or consolidated city-county may establish a large
16 taxpayer reserve account.

17 (2) A city, county, or consolidated city-county that establishes an account pursuant to this section
18 shall deposit annually 10% of revenue generated from newly taxable property in classes other than class four in
19 the large taxpayer reserve account.

20 (3) A city, county, or consolidated city-county may use a portion of the revenue from newly taxable
21 property generated under subsection (2) to offset any required payment to the department for technology
22 enhancing the assessment of newly taxable property

23 (4) Subject to a payment made pursuant to subsection (3), money deposited in the account by the
24 city, county, or consolidated city-county must remain in the account and may not be appropriated by the
25 governing body until a large taxpayer has permanently ceased operations or experienced a significant decrease
26 in taxable value.

27 (5) If the circumstances described in subsection (4) occur, the governing body of the city, county,
28 or consolidated city-county shall use the funds in the account to:

- 1 (a) pay for outstanding capital project bonds or other expenses incurred prior to the cessation of
2 operations or to a significant decrease in taxable value;
- 3 (b) for up to 10 years, decrease mill levies of the city, county, or consolidated city-county that are
4 directly impacted by the cessation of operations or by a significant decrease in taxable value;
- 5 (c) attract new industry to the impacted area;
- 6 (d) provide cash incentives for expanding the employment base of the area impacted by the
7 cessation of operations or by a significant decrease in taxable value; or
- 8 (e) invest in infrastructure directly related to new development.
- 9 (6) Except as provided in subsection (5)(b), money held in the account may not be considered as a
10 cash balance for the purpose of reducing mill levies.
- 11 (7) (a) Except as provided in subsection (7)(b), money in the account must be invested as provided
12 by law. Interest and income from the investment of funds in the account must be credited to the account.
- 13 (b) The city, county, or consolidated city-county may use investment earnings on the account not
14 subject to subsection (3) for the purposes provided in subsection (5).
- 15 (8) As used in this section, the following definitions apply:
- 16 (a) "Large taxpayer" means an individual or entity with taxable value for all property owned by the
17 individual or entity within the city, county, or consolidated city-county that places the individual or entity among
18 the 20% of taxpayers with the largest taxable value in the city, county, or consolidated city-county.
- 19 (b) "Significant decrease in taxable value" means a decrease in taxable value for property classes
20 other than class four property that equals 25% or more of the prior year's taxable value.

21
22 **Section 2.** Section 7-6-4431, MCA, is amended to read:

23 **"7-6-4431. Authorization to exceed or impose less than maximum mill levy -- election required**
24 **to exceed.** The governing body of a municipality may raise money by taxation for the support of municipal
25 government services, facilities, or other capital projects in excess of the levy allowed by 15-10-420 under the
26 following conditions:

27 (1) The governing body shall pass a resolution indicating its intent to exceed the current statutory
28 mill levy limit on the approval of a majority of the qualified electors voting in an election under subsection (2).

1 The resolution must include:

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

3 (b) the specific dollar amount to be raised; and

4 (c) the approximate number of mills required.

5 (2) The governing body shall submit the question of the additional mill levy to the qualified electors
6 of the municipality at an election as provided in 15-10-425. The question may not be submitted more than once
7 in any calendar year. If the majority of voters voting on the question is in favor of the additional levy or levies,
8 the governing body is authorized to impose the mill levy in the amount specified in the resolution.

9 (3) An election is not required for a governing body to impose less than the maximum number of
10 mills or to carry forward authorization to impose the maximum number of mills in a subsequent tax year as
11 provided in 15-10-420~~(1)(b)~~ (1)(c)."

12

13 **Section 3.** Section 15-10-420, MCA, is amended to read:

14 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
15 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
16 of property taxes actually assessed in the prior year plus ~~one-half of the~~ average rate of inflation for the prior 3
17 years, not to exceed 4%. The maximum number of mills that a governmental entity may impose is established
18 by calculating the number of mills required to generate the amount of property tax actually assessed in the
19 governmental unit in the prior year based on the current year taxable value, less 75% of the current year's
20 newly taxable value from class four property and the applicable amount pursuant to subsection (1)(b) of newly
21 taxable value from classes other than class one, class two, and class four, plus ~~one-half of the~~ average rate of
22 inflation for the prior 3 years.

23 (b) For the purposes of subsection (1)(a), the governmental entity may include the following
24 percentages of newly taxable value from classes other than class one, class two, and class four:

25 (i) 100% of the newly taxable value of class eight property that receives an abatement under 15-
26 6-138(4)(b);

27 (ii) 100% of the newly taxable value of property that receives a new or expanding industry
28 abatement under 15-24-1402 or a historic property abatement under 15-24-1603 from the time the abatement is

1 granted through completion of construction;

2 (iii) the percentages in subsections (1)(b)(iv) or (1)(b)(v) for property provided for in subsection (4);

3 (iv) 50% of the newly taxable value if the governmental entity creates a large taxpayer reserve
4 account and meets the deposit requirement of [section 1(2)]; and

5 (v) 40% of the newly taxable value if the governmental entity does not create a large taxpayer
6 reserve account or does not meet the deposit requirement of [section 1(2)].

7 (b) (c) A governmental entity that does not impose the maximum number of mills authorized under
8 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between
9 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill
10 authority carried forward may be imposed in a subsequent tax year.

11 (e) (d) For the purposes of subsection (1)(a), the department shall calculate ~~one-half of the~~ average
12 rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers,
13 using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of
14 labor.

15 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any
16 additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit,
17 including newly taxable property.

18 (3) (a) For purposes of this section, newly taxable property includes:

19 (i) annexation of real property and improvements into a taxing unit;

20 (ii) construction, expansion, or remodeling of improvements;

21 (iii) transfer of property into a taxing unit;

22 (iv) subdivision of real property; and

23 (v) transfer of property from tax-exempt to taxable status.

24 (b) Newly taxable property does not include an increase in value that arises because of an
25 increase in the incremental value within a tax increment financing district.

26 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
27 release of taxable value from the incremental taxable value of a tax increment financing district because of:

28 (i) a change in the boundary of a tax increment financing district;

1 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

2 (iii) the termination of a tax increment financing district.

3 (b) If a tax increment financing district terminates prior to the certification of taxable values as
4 required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax
5 increment financing district terminates. If a tax increment financing district terminates after the certification of
6 taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the
7 following tax year.

8 (c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was
9 constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current
10 year market value of that property less the previous year market value of that property.

11 (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale
12 of real property that results in the property being taxable as class four property under 15-6-134 or as
13 nonqualified agricultural land as described in 15-6-133(1)(c).

14 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

15 (a) school district levies established in Title 20; or

16 (b) a mill levy imposed for a newly created regional resource authority.

17 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes
18 received under 15-6-131 and 15-6-132.

19 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

20 (a) may increase the number of mills to account for a decrease in reimbursements; and

21 (b) may not increase the number of mills to account for a loss of tax base because of legislative
22 action that is reimbursed under the provisions of 15-1-121(7).

23 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for
24 purposes of 15-10-109, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated
25 by the department may not exceed the mill levy limits established in those sections. The mill calculation must
26 be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the
27 calculation must be rounded up to the nearest tenth of a mill.

28 (9) (a) The provisions of subsection (1) do not prevent or restrict:

- 1 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;
- 2 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;
- 3 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;
- 4 (iv) a levy for the support of a study commission under 7-3-184;
- 5 (v) a levy for the support of a newly established regional resource authority;
- 6 (vi) the portion that is the amount in excess of the base contribution of a governmental entity's
- 7 property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703;
- 8 (vii) a levy for reimbursing a county for costs incurred in transferring property records to an
- 9 adjoining county under 7-2-2807 upon relocation of a county boundary;
- 10 (viii) a levy used to fund the sheriffs' retirement system under 19-7-404(3)(b); or
- 11 (ix) a governmental entity from levying mills for the support of an airport authority in existence prior
- 12 to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past.
- 13 The levy under this subsection (9)(a)(ix) is limited to the amount in the resolution creating the authority.
- 14 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
- 15 actually assessed in a subsequent year.
- 16 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-
- 17 11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
- 18 authority in either of the previous 2 years and the airport or airport authority has not been appropriated
- 19 operating funds by a county or municipality during that time.
- 20 (11) The department may adopt rules to implement this section. The rules may include a method for
- 21 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
- 22 improvements, or newly taxable value in a governmental unit."

23

24 **NEW SECTION. Section 4. Codification instruction.** [Section 1] is intended to be codified as an

25 integral part of Title 7, chapter 6, part 6, and the provisions of Title 7, chapter 6, part 6, apply to [section 1].

26

27 **NEW SECTION. Section 5. Applicability.** [This act] applies to property tax years beginning after

28 December 31, 2025.

69th Legislature 2025

LC 1170

1

- END -