



Dan Bucks  
Director

# Montana Department of Revenue



Brian Schweitzer  
Governor

## Memorandum

To: Revenue and Transportation Interim Committee

From: Dan Bucks, Director of Revenue (DOR)

Date: February 16, 2012

Subject: Tax Increment Finance District (TIFD) Response

At the December meeting this committee heard concerns from a citizen, Mr. Kevin Nelson, regarding a TIFD that crosses two school district boundaries in Yellowstone County. TIFDs containing multiple school districts are very rare; only two such TIFDs exist in Montana (there is a second in Missoula County). In Yellowstone County, one of the school districts within the TIFD has experienced a decrease in the taxable value from the base year and the other school district has experienced an increase in the taxable value from the base year. We understand that this same factual situation has not arisen in Missoula, thus making the TIFD in Yellowstone County a unique case.

The issue being raised relates to the DOR report that calculates and allocates the increment taxable values for each school district separately in the TIFD in tax year 2011.

Given the rarity of this type of multiple school district TIFD, DOR has had little experience calculating the base, taxable and incremental value in these cases. After further review and legal analysis we have determined that the method DOR used to calculate and allocate taxable values separately within a TIFD is incorrect. As a result, the Yellowstone TIFD is receiving more taxable increment value and more revenue than it is entitled because the taxable value of the whole TIFD value is not being netted in total; this appears to be the primary concern Mr. Nelson raised with the committee.

Therefore, after a careful review of the TIFD statutes and DOR practices, we believe that this concern raised to you is indeed valid as the taxable value of a total TIFD should be netted and not calculated by separate school districts within the TIFD.

The relevant statutes are at Section 7-15-4283 and 4285, MCA. Pursuant to statute, the department is legally obligated to report total growth/loss for the entire TIFD as a whole, there is no authority for breaking this calculation out by separate school districts. For future certification of values, beginning with those made this year for tax year 2012, the department will determine total growth/loss by subtracting the certified taxable values of the total TIFD from the original base of the total TIFD.

The allocation of TIFD increment taxable value in cases such as this is not anticipated by the TIFD statutes and while DOR will immediately change our calculation process, eliminating the public's concern with multi- school district TIFDs would require a statutory change in order to be clearly and definitively addressed. Therefore, the Revenue and Transportation Interim Committee may want to consider legislation in the 2013 legislative session that limits TIFDs to one school district in order to clarify the allocation of values and revenue to each TIFD. Such an approach would not only prevent the problem for the future but would ensure greater certainty for local government in making TIFD decisions, especially in regards to estimating future revenue.

To: [Faint text]  
From: [Faint text]  
Date: [Faint text]  
Subject: [Faint text]

At the December meeting with Committee members held on December 10, 2012, the following was discussed: The TIFD statute currently allows for multiple school districts to be included in a TIFD. This is not the intent of the statute and it is not clear how this should be handled. The statute should be amended to require that only one school district be included in a TIFD. This would clarify the allocation of values and revenue to each TIFD and prevent the problem for the future.

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It is recommended that the statute be amended to require that only one school district be included in a TIFD. This would clarify the allocation of values and revenue to each TIFD and prevent the problem for the future.

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