



Mike Kadas
Director

Montana Department of Revenue



Steve Bullock
Governor

MEMORANDUM

To: Revenue and Transportation Interim Committee (RTIC)
From: Mike Kadas, Director
Date: May 6, 2014
Subject: Kevin Nelson Letter dated February 23, 2014

You have asked the Department to review a letter and tax documents submitted to the Revenue and Transportation Interim Committee by Kevin Nelson and to address the concerns he raised in that letter.

Mr. Nelson is concerned that the university mills prescribed by § 15-10-108, MCA, may not have been levied correctly or the revenue allocated properly in Yellowstone County in tax years 2009 through 2012. His concern is based upon his review of a series of "Detail Property Tax Information" documents downloaded from the Yellowstone County Treasurer's Office website.

After a thorough review of the documents submitted by Mr. Nelson and other relevant documents, the Department's legal staff has concluded that Yellowstone County properly levied the university mills and properly allocated the resulting revenue in each of the tax years at issue. Mr. Nelson's concern arises from two related issues set out below.

The first issue contributing to Mr. Nelson's confusion is the manner in which Yellowstone County's property tax software reports mill levies within tax increment financing districts (TIF Districts). Despite the fact that tax increment financing law requires the base and incremental taxable values of a TIF District to be calculated based upon the value of the TIF District as a whole, the software system accounts for changes in incremental value on a parcel by parcel basis.

Unfortunately, the parcel by parcel calculation creates confusion and can lead to taxpayer misunderstandings. The documents submitted by Mr. Nelson identify the revenue generated by the increment and attributed to the example property, using the code "SBT5" – Yellowstone County's tax code for the South Billings Boulevard Urban Renewal District. Montana Law excludes revenues generated by the 6 mills levied under § 15-10-108, MCA, to the university system from the being included in the increment generated by a TIF District. To account for this exclusion, the software system must identify the increment revenues generated by those mills separately from the other increment revenues. Those revenues in this case are identified using the code "TIDU." This makes it appear as if the TIF District itself is levying mills and makes it appear as if revenue from the 6 mill levy is being directed into the TIF increment. Neither of these is occurring.

The second issue contributing to Mr. Nelson's confusion relates to the makeup of the TIF District in which the example properties are located. Normally TIF Districts contain only one of any type of taxing jurisdiction. In this case, however, Mr. Nelson's example properties are located in a TIF District that contains portions of two school districts. Complicating matters further is the fact that the total taxable value of the school district in which Mr. Nelson's example properties are located decreased in tax years 2010 and 2011 to a value that was lower than it was when the TIF District was first created and the base taxable value was set.

Typically TIF Districts contain only one of any given type of taxing jurisdiction. When the total taxable value of property in a typical TIF District is equal to or less than the base taxable value of the District, no increment revenue is generated. In those cases the software system would not identify any revenues generated by the TIF District.

In this case, when the school district in which the example properties are located did not generate any increment revenue in 2010 and 2011, the software system did not report any "SBT5" or "TIDU" revenue on the tax bills issued to taxpayers within that school district. However, because the other school district did generate increment revenue, taxpayers whose property is located in that school district received tax bills that did include "SBT5" and "TIDU" revenue.

Although it may appear from the documents submitted by Mr. Nelson that Yellowstone County did not correctly levy the required university mills, the attached examples, which use one of Mr. Nelson's own example properties, verifies that Yellowstone County did properly levy the required university mills. These tax bills show that in tax years 2009 through 2012 Yellowstone county levied 102.500 mills identified as "State Tax (Education)." The mathematical calculations at the bottom of each tax bill prove that the taxable value of the example property is multiplied by the total number of mills levied equals the total taxes due. If Yellowstone County had improperly levied the university mills as Mr. Nelson suggests, these numbers would not add up.

While the Department has been able to determine that Mr. Nelson's identified concerns do not violate Montana law, his letter does serve to point out again another issue the Department has been attempting to address for some time. That is, the problem that can arise when a TIF District contains two or more of any one type of taxing jurisdictions. When a TIF District contains more than one of any type of taxing jurisdiction it is possible that the total taxable value in one of the jurisdictions will fall below its base taxable value while the total taxable value in the other jurisdiction will continue to grow above its base taxable value. The South Billings Boulevard Urban Renewal District (SBB TIF District) provides a perfect example of this.

In 2011 Mr. Nelson notified this Committee of concerns he had at that time with the SBB TIF District. The Department investigated those concerns and determined that because of the value disparities in the two school districts and the calculation methods the Department used, the total increment reported those tax years had been incorrectly reported in each school district. The Department developed a mathematical formula that would allow it to correctly estimate the taxable values in each of the school districts on a go-forward basis and suggested that the TIF statutes be amended to prevent the problem in the future. The Department recently attempted

to adopt a rule that would prohibit local governments from establishing TIF Districts that contained more than one school district. During the public hearing on that rule, taxpayers questioned the Department's authority to adopt that rule. At its last meeting this Committee asked the Department to consider this issue more fully.

The Department has continued its investigation into this matter and we have determined that the rule the Department originally proposed does not fully address the problem. This is because the problem is not related directly to TIF Districts that contain more than one school district, but to TIF Districts that contain two or more of any one type of taxing jurisdiction. For this reason, the Department believes it is important that it engage stakeholders, including the League of Cities and Towns and the Montana Association of Counties, among others, in its attempt to establish a workable process to address these issues.

YELLOWSTONE COUNTY PROPERTY TAX STATEMENT

82011

TAX CODE: A24758

TAX YEAR 2009

LEGAL DESCRIPTION

BILLING DATE 03/10/2014

GENUINE PARTS COMPANY
 ZOANNI, LOREN
 NAPA AUTO PARTS * T19-680
 5320 SOUTHGATE DR
 BILLINGS MT 59101-4637

SECTION 17, TOWN 01 S, RANGE 26 E
 LOT:08A BLOCK:003
 SOUTHGATE SUBD 1ST FILING
 SOUTHGATE SUBD 1ST FILING, S17, T01 S,
 R26 E, BLOCK 003, Lot 08A, LT 7-9 & 20
 AMND LT 8A BLK 3 SOUTHGATE SUBD 1ST 17-
 10S-26E
 Acres: 4.5

DISTRICT(s):
 23T5 SOUTH BILLINGS BLVD URBAN

PROPERTY LOCATION 5320 SOUTHGATE

ASSESSED VALUATION	MARKET VALUE	TAXABLE VALUE
Real Property	473,798	13,882
Buildings and Improvements	1,970,499	57,736
Personal Property	341,530	10,244

TOTAL
 Interest computed through

TOTAL ASSESSED VALUATION

2,785,827 81,862

Payments on another date will affect amount due.
 Call (406) 256-2802 for an exact amount

Yellowstone County Treasurer PO Box 35010 Billings, MT 59107-5010 (406) 256-2802 www.co.yellowstone.mt.gov/treasurer/

TAXING AUTHORITY	CURRENT YEAR LEVY	1ST HALF DUE	X	2ND HALF DUE	CURRENT YEAR'S AMOUNT	LAST YEAR'S AMOUNT	AMOUNT CHANGE
Levy District: 23 BILLINGS							
Permissive Medical Levy	0.000	0.00		0.00	0.00	905.84	-905.84
School Tax	0.000	0.00		0.00	0.00	11,779.97	-11,779.97
State Tax (Education)	0.000	0.00		0.00	0.00	8,180.53	-8,180.53
County Tax	0.000	0.00		0.00	0.00	7,510.12	-7,510.12
City Tax	0.000	0.00		0.00	0.00	13,069.69	-13,069.69
Big Sky Economic Development	0.000	0.00		0.00	0.00	241.02	-241.02
County Weed Tax	0.000	0.00		0.00	0.00	73.42	-73.42
TOTAL GENERAL TAXES	0.000	0.00		0.00	0.00	41,760.59	-41,760.59
Levy District: 23T5 SOUTH BILLINGS BLVD URBAN							
Permissive Medical Levy	11.050	425.15		425.15	850.30	0.00	850.30
School Tax	143.080	5,505.02		5,505.01	11,010.03	0.00	11,010.03
State Tax (Education)	102.500	3,943.69		3,943.68	7,887.37	0.00	7,887.37
County Tax	94.910	3,651.64		3,651.66	7,303.30	0.00	7,303.30
City Tax	169.440	6,519.21		6,519.20	13,038.41	0.00	13,038.41
Big Sky Economic Development	3.050	117.35		117.35	234.70	0.00	234.70
County Weed Tax	0.930	35.78		35.78	71.56	0.00	71.56
TOTAL GENERAL TAXES	524.960	20,197.84	=	20,197.83	40,395.67	0.00	40,395.67
OTHER CHARGES	District						
BLGS IMPROVEMENTS	1354	764.22		753.43	1,517.65	1,491.45	26.20
BLGS PARK MAINT	4017	539.24		539.24	1,078.48	1,078.48	0.00

*** TAX BILL CONTINUED ON PAGE 2 ***

TOTAL AMOUNT DUE

Due Date

Comparison Only

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YELLOWSTONE COUNTY PROPERTY TAX STATEMENT

TAX CODE:

A24758

LEGAL DESCRIPTION

TAX YEAR

2009
BILLING DATE

03/10/2014

GENUINE PARTS COMPANY
ZOANNI, LOREN
NAPA AUTO PARTS * TI9-680
5320 SOUTHGATE DR
BILLINGS MT 59101-4637

PROPERTY LOCATION

ASSESSED VALUATION

MARKET
VALUE

TAXABLE
VALUE

TOTAL ASSESSED VALUATION

TAX BILL PAGE #2

Yellowstone County Treasurer PO Box 35010 Billings, MT 59107-5010 (406) 256-2802 www.co.yellowstone.mt.gov/treasurer/

YEAR	AMOUNT
TOTAL	
Interest computed through	
Payments on another date will affect amount due. Call (406) 256-2802 for an exact amount	

TAXING AUTHORITY	CURRENT YEAR LEVY	1ST HALF DUE	2ND HALF DUE	CURRENT YEAR'S AMOUNT	LAST YEAR'S AMOUNT	AMOUNT CHANGE
BLGS ARTERIAL CONST FEE	BACF	972.24	972.24	1,944.48	1,944.48	0.00
BLGS FIRE HYD REAL	BFHS	520.24	520.24	1,040.48	1,014.40	26.08
BILLINGS STORM SEWER	BLSW	566.49	566.49	1,132.98	1,132.98	0.00
BLGS STREET MAINT #2	BS#2	626.57	626.57	1,253.14	1,253.14	0.00
SOUTH BILLINGS BLVD URBAN	SBT5	1,274.58	1,274.55	2,549.13	0.00	2,549.13
SOIL CONSERVATION	SOIL	18.98	18.98	37.96	31.52	6.44
TID - UNIVERSITY MILLAGE	TIDU	14.76	14.72	29.48	0.00	29.48

TV x Mills = current year + SBT5 + TIDU
81,862 x .52496 = 40,395 + 2,549.13 + 29.48

TOTAL AMOUNT DUE	25,495.16	25,484.29	50,979.45	49,707.04	1,272.41
Due Date	11/30/2009	05/31/2010	Comparison Only		

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82011

YELLOWSTONE COUNTY PROPERTY TAX STATEMENT

TAX CODE: **A24758**

TAX YEAR **2010**

LEGAL DESCRIPTION

BILLING DATE **03/10/2014**

GENUINE PARTS COMPANY
 NAPA AUTO PARTS * T19-680
 DUFF AND PHELPS
 ATTN: RE DEPT
 PO BOX 260888
 PLANO TX 75026

SECTION 17, TOWN 01 S, RANGE 26 E
 LOT:08A BLOCK:003
 SOUTHGATE SUBD 1ST FILING
 SOUTHGATE SUBD 1ST FILING, S17, T01 S,
 R26 E, BLOCK 003, Lot 08A, LT 7-9 & 20
 AMND LT 8A BLK 3 SOUTHGATE SUBD 1ST 17-
 10S-26E
 Acres: 4.5

DISTRICT(s):
 23T5 SOUTH BILLINGS BLVD URBAN

PROPERTY LOCATION			ASSESSED VALUATION		DEFINITION	
6320 SOUTHGATE			MARKET VALUE	TAXABLE VALUE	YEAR	AMOUNT
Real Property	522,837	14,744				
Buildings and Improvements	2,016,581	56,868				
Personal Property	355,214	10,656				
TOTAL ASSESSED VALUATION	2,894,632	82,268				
						TOTAL Interest computed through
						Payments on another date will affect amount due. Call (406) 256-2802 for an exact amount

Yellowstone County Treasurer PO Box 35010 Billings, MT 59107-5010 (406) 256-2802 www.co.yellowstone.mt.gov/treasurer/

TAXING AUTHORITY	CURRENT YEAR LEVY	1ST HALF DUE	2ND HALF DUE	CURRENT YEAR'S AMOUNT	LAST YEAR'S AMOUNT	AMOUNT CHANGE
Levy District: 23T5 SOUTH BILLINGS BLVD URBAN						
Permissive Medical Levy	10.600	436.02	436.02	872.04	850.30	21.74
School Tax	145.450	X 5,982.95	5,982.94	11,965.89	11,010.03	955.86
State Tax (Education)	102.500	4,216.23	4,216.23	8,432.46	7,887.37	545.09
County Tax	102.830	4,229.81	4,229.81	8,459.62	7,303.30	1,156.32
City Tax	171.420	7,051.19	7,051.19	14,102.38	13,038.41	1,063.97
Big Sky Economic Development	3.050	125.46	125.46	250.92	234.70	16.22
County Weed Tax	0.930	38.25	38.25	76.50	71.56	4.94
TOTAL GENERAL TAXES	536.780	22,079.91	22,079.90	44,159.81	40,395.67	3,764.14
OTHER CHARGES						
	District					
BLGS IMPROVEMENTS	1354	775.74	764.97	1,540.71	1,517.65	23.06
BLGS PARK MAINT	4017	593.15	593.15	1,186.30	1,078.48	107.82
BLGS ARTERIAL CONST FEE	BACF	996.74	996.74	1,993.48	1,944.48	49.00
BLGS FIRE HYD REAL	BFHS	455.10	455.10	910.20	1,040.48	-130.28
BILLINGS STORM SEWER	BLSW	566.49	566.49	1,132.98	1,132.98	0.00
BLGS STREET MAINT #2	BS#2	642.25	642.25	1,284.50	1,253.14	31.36
SOUTH BILLINGS BLVD URBAN	SBT5	0.00	0.00	0.00	2,549.13	-2,549.13
SOIL CONSERVATION	SOIL	17.55	17.54	35.09	37.96	-2.87
TID - UNIVERSITY MILLAGE	TIDU	0.00	0.00	0.00	29.48	-29.48

TOTAL AMOUNT DUE	26,126.93	26,116.14	52,243.07	50,979.45	1,263.62
Due Date	11/30/2010	05/31/2011	Comparison Only		

TV X Mills = current year + SBT5 + TIDU
82,268 x .53678 = 44,159.81 + 0.00 + 0.00

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B2011

YELLOWSTONE COUNTY PROPERTY TAX STATEMENT

TAX CODE: **A24758**

TAX YEAR **2011**

LEGAL DESCRIPTION

BILLING DATE **03/10/2014**

GENUINE PARTS COMPANY
 NAPA AUTO PARTS * T19-680
 2999 CIRCLE 75 PARKWAY
 ATTN: INTERNAL AUDIT
 ATLANTA GA 30339

SECTION 17, TOWN 01 S, RANGE 26 E
 LOT:8A BLOCK:3
 SOUTHGATE SUBD 1ST FILING
 SOUTHGATE SUBD 1ST FILING
 820, S17, T01 S, R26 E, BLOCK
 3, Lot 8A, LT 7-9 & 20 AMND LT 8A BLK 3
 SOUTHGATE SUBD 1ST 17-10S-26E
 Acres: 4.5

DISTRICT(s):
 23T5 SOUTH BILLINGS BLVD URBAN

PROPERTY LOCATION 5320 SOUTHGATE

DEFERRED TAXES

ASSESSED VALUATION

MARKET VALUE	TAXABLE VALUE
Real Property	15,510
Buildings and Improvements	56,079
Personal Property	11,600
TOTAL	Interest computed through
	Payments on another date will affect amount due. Call (406) 256-2802 for an exact amount

Real Property
 Buildings and Improvements
 Personal Property

570,206
 2,061,721
 386,665

15,510
 56,079
 11,600

TOTAL ASSESSED VALUATION

3,018,592 **83,189**

Yellowstone County Treasurer PO Box 35010 Billings, MT 59107-5010 (406) 256-2802 www.co.yellowstone.mt.gov/treasurer/

TAXING AUTHORITY	CURRENT YEAR LEVY	1ST HALF DUE	2ND HALF DUE	CURRENT YEAR'S AMOUNT	LAST YEAR'S AMOUNT	AMOUNT CHANGE
Levy District: 23T5 SOUTH BILLINGS BLVD URBAN						
Permissive Medical Levy	10.600	440.90	440.90	881.80	872.04	9.76
School Tax	150.880	6,275.78	6,275.78	12,551.56	11,965.89	585.67
State Tax (Education)	102.500	4,263.44	4,263.44	8,526.88	8,432.46	94.42
County Tax	102.910	x 4,280.49	4,280.49	8,560.98	8,459.62	101.36
City Tax	168.730	7,018.24	7,018.24	14,036.48	14,102.38	-65.90
Big Sky Economic Development	3.050	126.86	126.86	253.72	250.92	2.80
County Weed Tax	0.930	38.68	38.68	77.36	76.50	0.86
TOTAL GENERAL TAXES	539.600	22,444.39	22,444.39	44,888.78	44,159.81	728.97
OTHER CHARGES						
	District					
BLGS IMPROVEMENTS	1354	752.65	740.35	1,493.00	1,540.71	-47.71
BLGS PARK MAINT	4017	593.15	593.15	1,186.30	1,186.30	0.00
BLGS ARTERIAL CONST FEE	BACF	1,021.25	1,021.25	2,042.50	1,993.48	49.02
BLGS FIRE HYD REAL	BFHS	256.86	256.86	513.72	910.20	-396.48
BILLINGS STORM SEWER	BLSW	580.21	580.21	1,160.42	1,132.98	27.44
BLGS STREET MAINT #2	BS#2	939.41	939.41	1,878.82	1,284.50	594.32
SOIL CONSERVATION	SOIL	17.54	17.54	35.08	35.09	-0.01
[SOUTH BILLINGS BLVD URBAN]	[SBT5]			[0.00]		
[TID-UNIVERSITY MILLAGE]	[TIDU]			[0.00]		

TOTAL AMOUNT DUE	26,605.46	26,593.16	53,198.62	52,243.07	955.55
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Due Date	11/30/2011	05/31/2012	Comparison Only
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TV x Mills = current year + SBT5 + TIDU
 83,189 x .53960 = 44,888.78 + 0.00 + 0.00

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82011

YELLOWSTONE COUNTY PROPERTY TAX STATEMENT

TAX CODE: **A24758**

TAX YEAR **2012**

LEGAL DESCRIPTION

BILLING DATE **03/10/2014**

GENUINE PARTS COMPANY
HACKNEY, TERESA
NAPA AUTO PARTS * T19-680
ATTN: INTERNAL AUDIT
2999 CIRCLE 75 PARKWAY
ATLANTA GA 30339

SECTION 17, TOWN 01 S, RANGE 26 E
LOT:8A BLOCK:3
SOUTHGATE SUBD 1ST FILING
SOUTHGATE SUBD 1ST FILING, S17, T01 S,
R26 E, BLOCK 3, Lot 8A, AMND LT 7-9 &
20
Acres: 4.5

DISTRICT(s):
23T5 SOUTH BILLINGS BLVD URBAN

PROPERTY LOCATION 5320 SOUTHGATE

DEFERRED TAXES

YEAR AMOUNT

ASSESSED VALUATION

MARKET VALUE TAXABLE VALUE

Real Property	616,112	16,204
Buildings and Improvements	2,106,223	55,394
Personal Property	419,718	8,395

TOTAL
Interest computed through

TOTAL ASSESSED VALUATION

3,142,053 **79,993**

Payments on another date
will affect amount due.
Call (406) 256-2802
for an exact amount

Yellowstone County Treasurer PO Box 35010 Billings, MT 59107-5010 (406) 256-2802 www.co.yellowstone.mt.gov/treasurer/

TAXING AUTHORITY	CURRENT YEAR LEVY	1ST HALF DUE	2ND HALF DUE	CURRENT YEAR'S AMOUNT	LAST YEAR'S AMOUNT	AMOUNT CHANGE
Levy District: 23T5 SOUTH BILLINGS BLVD URBAN						
Permissive Medical Levy	10.600	328.70	328.70	657.40	881.80	-224.40
School Tax	155.110	4,809.88	4,809.88	9,619.76	12,551.56	-2,931.80
State Tax (Education)	102.500	3,178.47	3,178.47	6,356.94	8,526.88	-2,169.94
County Tax	105.680	3,277.09	3,277.09	6,554.18	8,560.98	-2,006.80
City Tax	174.580	x 5,413.64	5,413.64	10,827.28	14,036.48	-3,209.20
Big Sky Economic Development	3.090	95.82	95.82	191.64	253.72	-62.08
County Weed Tax	0.910	28.22	28.22	56.44	77.36	-20.92
TOTAL GENERAL TAXES	552.470	17,131.82	17,131.82	34,263.64	44,888.78	-10,625.14
OTHER CHARGES						
	District					
BLGS IMPROVEMENTS	1354	756.52	756.52	1,513.04	1,493.00	20.04
BLGS PARK MAINT	4017	593.15	593.15	1,186.30	1,186.30	0.00
BLGS ARTERIAL CONST FEE	BACF	1,046.73	1,046.73	2,093.46	2,042.50	50.96
BLGS FIRE HYD REAL	BFHS	0.00	0.00	0.00	513.72	-513.72
BILLINGS STORM SEWER	BLSW	594.91	594.91	1,189.82	1,160.42	29.40
BLGS STREET MAINT #2	BS#2	961.76	961.76	1,923.52	1,878.82	44.70
BILLINGS PARK DISTRICT	PD01	423.86	423.86	847.72	0.00	847.72
SOUTH BILLINGS BLVD URBAN	SBT5	4,911.13	4,911.12	9,822.25	0.00	9,822.25
SOIL CONSERVATION	SOIL	15.75	15.75	31.50	35.08	-3.58
TID - UNIVERSITY MILLAGE	TIDU	53.93	53.92	107.85	0.00	107.85

TOTAL AMOUNT DUE 26,489.56 26,489.54 52,979.10 53,198.62 -219.52

Due Date 11/30/2012 05/31/2013 Comparison Only

TV x Mills = current year + SBT5 + TIDU
 79,993 x .55247 = 34,263.64 + 9,822.25 + 107.85