

*Building*  
**REMARKABLE**

# Tax Abatement Program in Yellowstone County & the City of Billings

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 **BIG SKY  
ECONOMIC  
DEVELOPMENT**

BUSINESS GROWTH SERVICES • COMMUNITY DEVELOPMENT • NEW BUSINESS RECRUITMENT

# Tax Abatement Program in Yellowstone County & the City of Billings



In 1988, the State of Montana gave local governments the authority to implement tax abatement programs. Since then, Yellowstone County and the City of Billings has successfully used the program to attract new businesses and grow existing businesses.

- In August of 2002, Yellowstone County Commissioners adopted the five-year tax incentive for remodel, expansion, and reconstruction (MCA 15-24-1501). The City of Billings adopted the program in December of 2005.
- The 10-year incentive (MCA 15-24-1401/1402) was adopted in October of 1994 by the Yellowstone County Commissioners and in December of 2005 by the City of Billings.

# Tax Abatement Programs

*5-Year Program. Allows tax reductions on remodeling, reconstruction, and/or expansion of existing real property when a project makes improvements exceeding \$500,000 to the property. Tax relief is received only on the incremental increase in taxable valuation of the existing property. Under the Remodeling, Reconstruction or Expansion Tax Incentive Program, the property taxes levied on the value of the improvements may be reduced by 100% for the first 5 years of the project. In the 5th year, the property would return to its full taxable value. A leased building is typically not eligible for this tax incentive program as the owner of the property typically applies.*

Construction period – 0% taxable value (100% savings)  
First year following construction – 0% taxable value (100% savings)  
Second year following construction – 0% taxable value (100% savings)  
Third year following construction – 0% taxable value (100% savings)  
Fourth year following construction – 0% taxable value (100% savings)  
Fifth year following construction – 100% taxable value (0% savings)  
Following years – 100% taxable value (0% savings)



# Tax Abatement Programs

- 10-Year Program. Allows tax reductions under the *New & Expanding Industry Tax Incentive Program*, the taxable value of the real property can be reduced by 50% in the first 5 years. In years 6-10, the tax obligation gradually increases and the savings decreases until the full 100% liability is required and the abatement expires in year 10. Increase in years 6-10 is 10%. The 2017 MT Legislature passed House Bill 226 providing discretion to governing bodies to increase the application of tax savings regarding the 10-year program. Taxable value of the incremental increase in valuation can be reduced by 75% in years 1-5, then increased by 15% years 6-10. As with the 5-year program, this is for businesses owning the building as the owner applies. There are certain criteria; primarily that 50% of the company's revenues are generated from out of state. Job creation is also strongly encouraged for both programs
- The tax abatement is for city, county and school district taxes. The City and County governing bodies have final say on whether the abatement will be granted. Businesses benefit by saving tax dollars for use in operation of their business. The abatement allows the businesses to add to their bottom line incentivizing them to grow and add to Yellowstone County's economy by creating good paying jobs, increased services and overall economic health.

Taxed at 25% of business's taxable value  
Years 1-5 - 25% taxable value (75% savings)  
Year 6 – 40% taxable value (60% savings)  
Year 7 – 55% taxable value (45% savings)  
Year 8 – 70% taxable value (30% savings)  
Year 9 – 85% taxable value (15% savings)  
Year 10 – 100% taxable value (0% savings)

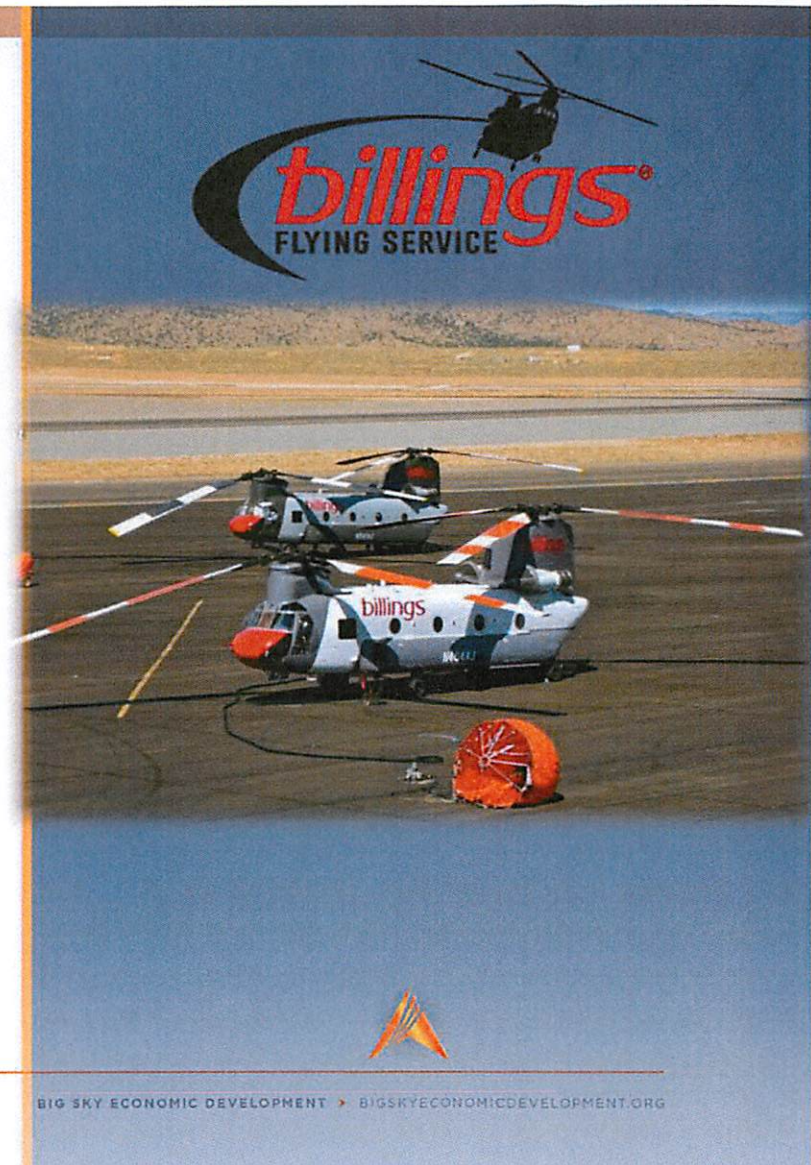


Taxed at 50% of business's taxable value  
Years 1-5 - 50% taxable value (50% savings)  
Year 6 – 60% taxable value (40% savings)  
Year 7 – 70% taxable value (30% savings)  
Year 8 – 80% taxable value (20% savings)  
Year 9 – 90% taxable value (10% savings)  
Year 10 – 100% taxable value (0% savings)

## Testimonial: Billings Flying Service

"There is a reason 'Billings' is painted on the side our helicopters. Billings is our home. The tax abatement process helped ensure that our operations center would stay here, and the tax savings helped our company attract top talent to make Billings their home as well. We are forever grateful for the community/business partnership championed by so many in Yellowstone County."

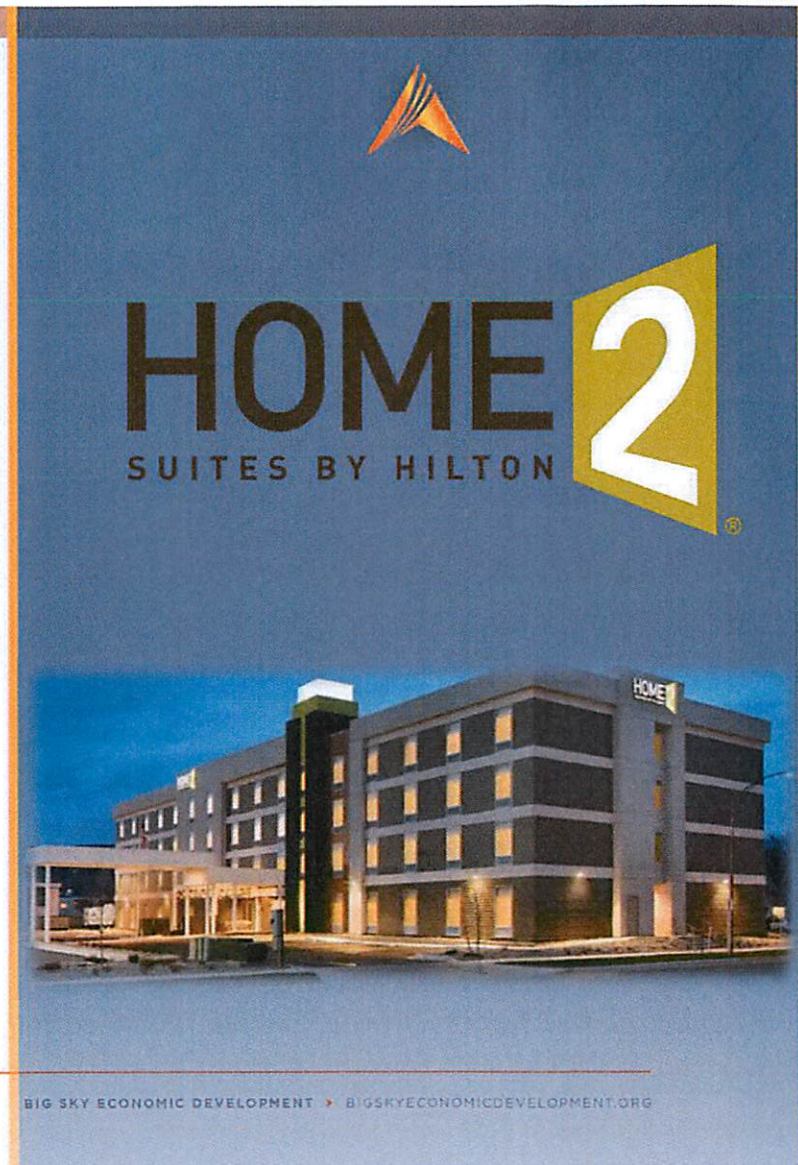
Al, Gary, and Bridger Blain



## Testimonial: Home2 Suites by Hilton

“The tax abatement granted to the Home2 Suites by Hilton project was a critical component to the successful ramp up of the business. Located in a redevelopment area, the tax abatement provides financial resources to hire additional staff to insure comfort and peace of mind to our guests as well as to mitigate risks associated with urban renewal.”

Don Cape, Developer



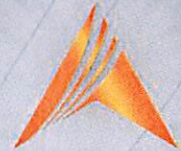
## Testimonial: Heights Eyecare

“Expanding your business is always met with many unknowns. The Tax abatement program eased some of the anxiety of the project. With the tax savings we were able to attract several highly qualified employees to help care for our patients. We are blessed that we have this program available to the businesses of Billings and Yellowstone County”.

Brad Kimball O.D., Partner



# Capital Investment & Active Tax Abatement Savings



Date Approved	Term	Company	Capital Investment	2016 Yearly Payroll	Tax Savings in 2016	2017 Yearly Payroll	Tax Savings in 2017
12/9/2008	10yr	All American Pharmaceutical	\$ 1,305,482.00	\$ 2,300,000.00	\$ 6,011.07	\$ 2,600,000.00	\$ 2,851.28
10/25/2011	5yr	All American Pharmaceuticals	\$ 2,008,331.00	Included above	Included above	Included above	Expired
11/23/2010	10yr	American Steel	\$ 3,832,109.00	\$ 1,700,000.00	\$ 6,917.09	\$ 2,474,130.69	\$ 6,627.13
7/5/2013	5yr	Aspen Air	\$ 7,156,703.00	\$ 849,235.00	\$ 50,990.35	\$ 802,045.00	\$ 38,384.23
2/17/2008	10yr	Aspen Air	\$ 15,658,979.00	Included above		Included above	Expired
12/27/2016	10yr	Billings Flying Service	\$ 2,200,000.00	N/A	N/A	\$ 5,805,744.00	\$ 9,587.01
4/16/2013	5yr	Billings Ventures LLP (BigHorn Resort)	\$ 1,000,000.00	\$ 1,132,571.00	\$ 1,115.87	\$ 1,472,168.42	Expired
10/2/2007	10yr	CHS Inc., Laurel, MT Refinery	\$ 342,298,000.00	\$ 48,200,000.00	\$ 307,152.83	\$ 49,000,000.00	Expired
2/23/2016	10yr	CHS Inc., Laurel, MT Refinery	\$ 13,000,000.00	Included above	Included above	Included above	\$ 70,543.34
11/17/2009	10yr	Dalco Industries dba Teton Steel	\$ 1,500,000.00	\$ 604,000.00	\$ 4,809.46	\$ 633,823.58	\$ 3,776.92
6/23/2015	10yr	D&M Enterprises (Auto Trim Design)	\$ 4,400,000.00	\$ 1,003,000.00	\$ 18,639.92	\$ 550,000.00	\$ 21,139.99
3/23/2010	10yr	GE Capital**	\$ 9,287,865.00	\$ 9,225,145.00	\$ 16,918.44		\$ 11,648.58
8/16/2011	5yr	Golden Steel and Recycling, Inc (Schnitzer Steel)	\$ 2,000,000.00	\$ 864,000.00	\$ 706.55	\$ 1,250,000.00	Expired
11/14/2016	5yr	Heights Eyecare (Linde Properties)	\$ 1,050,788.00	\$ 1,618,417.00	\$ 5,859.89	\$ 1,676,669.00	\$ 8,000.27
4/11/2017	5yr	Home2 Suites by Hilton	\$ 12,773,000.00	N/A	N/A	\$ 556,869.42	\$ 62,537.55
2/23/2016	5yr	Home Science Tools	\$ 1,838,000.00	\$ 1,280,000.00	\$ 6,190.56	\$ 1,320,000.00	\$ 11,350.09
2/23/2016	5yr	Jefferson Lines	\$ 850,000.00	\$ 900,000.00	\$ 2,016.67	\$ 1,089,557.00	\$ 2,552.91
10/25/2011	10yr	Mercedes Benz of Billings	\$ 2,150,000.00	\$ 1,175,000.00	\$ 2,532.79	\$ 835,000.00	\$ 2,367.70
11/19/2013	10yr	Montana Peterbilt	\$ 5,600,000.00	\$ 5,042,523.00	\$ 16,874.91	\$ 4,000,000.00	\$ 21,018.96
5/18/2010	10yr	Motor Power Equipment	\$ 2,530,000.00	\$ 4,621,000.00	\$ 4,188.20	\$ 4,381,000.00	\$ 3,649.98
11/19/2013	10yr	Northwest Scientific	\$ 2,122,328.00	\$ 1,134,978.00	\$ 5,507.09	\$ 1,011,445.41	\$ 6,324.11
12/23/2014	10yr	Summit Resource International	\$ 2,300,000.00	\$ 556,205.00	\$ 7,516.38	\$ 494,045.80	\$ 9,400.92
6/23/2015	5yr	Shipton's Big R	\$ 7,500,000.00		\$ 28,873.15	\$ 738,454.59	\$ 45,918.24
4/16/2013	5yr	TrueNorth Steel	\$ 1,200,000.00	\$ 4,668,467.00	\$ 3,092.51	\$ 4,678,334.15	\$ 8,469.49
2/23/2016	5yr	Woods Powr Grip	\$ 1,375,428.00	\$ 5,761,405.00	\$ 5,107.02	\$ 6,948,414.00	\$ 12,815.30
<b>Total</b>			<b>\$ 446,937,013.00</b>	<b>\$ 92,635,946.00</b>	<b>\$ 501,020.75</b>	<b>\$92,317,701.06</b>	<b>\$358,964.00</b>

- Capital Investment and payroll information provided by businesses through application and annual questionnaire
- Tax savings information provided by the Montana Department of Revenue
- GE ownership transfer July '17 – Zoot assumes 2yrs remaining of abatement of 20% savings ('18) and 10% savings ('19).

## Tax Abatements granted in 2017/2018

Total number of new tax abatements

**2**

granted July 2017-June 2018

2 Existing businesses chose



to expand/construct in Yellowstone Country and Billings

Total Private Investment of \$397,831,042



from those 2 projects

### Total economic Impact of all Businesses receiving a tax abatement in 2017

Total amount all participating Businesses saved \$358,964



on taxes in 2016

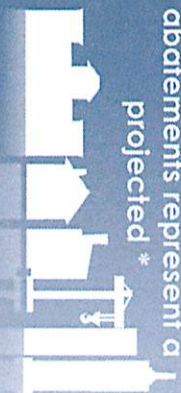
Total of \$92,317,701 in payroll



for all Businesses receiving a tax abatement

The cumulative impact of businesses that received tax abatements represent a projected \*

direct and indirect Economic Impact of over \$3.9 Billion



• Projected direct and indirect impact provided by Jobs EQ economic impact database, basing impact on reported jobs per industry sector for each individual business receiving a tax abatement in 2017  
• Payroll numbers received from businesses completing annual survey



## Highlight of two (2) Expired '17 Abatements



Company	Capital Investment	Beginning Market Value	Ending Market Value	Increase in Market Value	Beginning General Tax Billed	Ending General Tax Billed	Increase in General Taxes	Net FT Job Creation
<u>All American Pharmaceutical</u>	\$2,008,331	\$2,643,083	\$3,774,660	\$1,131,577	\$43,966	\$75,382	\$31,415.94	60
<u>CHS Refinery</u>	\$342,298,000	\$46,172,555	88,363,030	\$42,190,475	\$3,615,560	\$10,584,285	\$6,968,725	118
<b>Totals</b>	<b>\$344,306,331</b>	<b>\$48,815,638</b>	<b>\$ 92,137,690</b>	<b>\$ 43,322,052</b>	<b>\$ 3,659,527</b>	<b>\$ 10,659,668</b>	<b>\$ 7,000,141</b>	<b>178</b>

- Numbers received from Yellowstone County property tax detail
- <http://www.co.yellowstone.mt.gov/gis/index.asp>

# Questions?



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