

Memo

To: Billings City Council

From: Tax Abatement Program Review Committee, Submitted by Dianne Lehm Big Sky Economic Development

Subject: Tax Abatement Resolution September 3, 2024 Council Work Session Discussion

Tax Abatement Program Resolution:

- 1) Specify private investment dollars
Questions 16 of the application, asks the applicant to list any property tax benefits the applicant currently receives or has applied for at the time of application. Questions or concerns regarding this could be discussed at the public hearing.
- 2) Failure to meet job retention/creation penalties
City Council and County have not imposed a penalty or rescinded a tax abatement. MCA 15-16-102 outlines the process. The County does not wish to amend the language to impose penalties. Item added to future revisions list.
- 3) Clarify definition of "New" and other definitions
MCA 15-24-1401: (3) "New" means that the firm is new to the jurisdiction approving the resolution provided for in [15-24-1402](#)(2) and has invested or will invest at least \$125,000 worth of qualifying improvements or modernized processes in the jurisdiction either in the first tax year in which the benefits provided for in [15-24-1402](#) are to be received or in the preceding tax year.
- 4) Discuss Council recommendations with County and City Staff
Items were presented to the County and we will keep a list of items to consider for future potential amendment. The County does not wish to make any amendments to the County Resolution.

Council Questions Follow up information:

- 1) Minimum investment threshold:
The City/County committee collectively reviewed applications within the last 10 years to determine a minimum threshold. Each current tax abatement met the proposed minimum investment. In the last 10 years of tax abatement applications, the lowest private capital investment was \$650,000. Only two applications within the last 10 years, (Raw Machinery \$650,000, Bottles and Shots \$800,000) have invested less than \$1 Million in the business and requested a tax abatement.
- 2) Create list of future potential amendments and clarifications
A list of items to address at a future review of adopted resolutions has been created and will be added to as suggestions, questions, or concerns arise. These topics have been included:
 - Clearer definition of "New" to jurisdiction, other definitions

- Jurat or sworn statement instead of notarized for jobs retained/created
- Outline penalties if any: MCA 15-24-1501: (6) Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of this section or the resolution required by subsection (2). The recapture is equal to the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided in [15-16-102](#), during any period in which an abatement under the provisions of this section was in effect. The amount recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts subject to the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this section is not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary conversion. The recapture of abated taxes may be canceled, in whole or in part, if the local governing body determines that the taxpayer's failure to meet the requirements is a result of circumstances beyond the control of the taxpayer.
- Does jurisdiction want active tax abatement recipients to complete an annual survey
- Does jurisdiction want a formal report on active tax abatements each year