

**RESOLUTION 26-\_\_\_\_\_**

**A RESOLUTION PROVIDING DIRECTION TO CITY STAFF  
REGARDING THE TRANSITION OF MILL LEVY  
LIMITATIONS PURSUANT TO MCA 15-6-401(4)(a) IN  
RESPONSE TO 2025 LEGISLATIVE CHANGES**

WHEREAS, in 1976, the citizens of Billings adopted a charter that includes limitations on the number of mills that may be levied by the City Council; and

WHEREAS, since 1999, the City has been subject to the property tax revenue growth limitations set forth in MCA 15-10-420, as applied to self-governing local government units pursuant to MCA 7-1-114(3)(b), and the City's charter limitations have not conflicted with these state provisions; and

WHEREAS, the Montana Legislature in 2025 enacted HB 231 and SB 542, which significantly reformed property tax rates and structures, including tiered rates intended to provide relief to residential taxpayers while maintaining local government revenue neutrality during the transition; and

WHEREAS, as part of these reforms, MCA 15-6-401(2) expresses legislative intent to superseded conflicting local charters for the limited purpose of exercising taxing authority while preserving local revenue sources and lowering residential property tax rates for primary residences; and

WHEREAS, MCA 15-6-401(3) provides transition instructions for charter governments with fixed mill levy limits, but contains contradictory language regarding future-year mill adjustments, which make full compliance impossible if taxable values per mill decline (as projected by the Department of Revenue for tax year 2026/fiscal year 2027 due to full implementation of the reforms); and

WHEREAS, MCA 15-6-401(4) applies to any local taxing entity with local mill levy limits authorized by voters before May 13, 2025, and offers two options: (a) transition to a dollar-based mill levy equal to the property taxes assessed in fiscal year 2025, thereafter subject to the provisions of MCA 15-10-420(1)(a); or (b) levy mills in fiscal year 2026 sufficient to generate fiscal year 2025 revenue, with mills not to exceed the fiscal year 2026 number in subsequent years; and

WHEREAS, the City Council adopted Resolution No. 25-11286 on August 25, 2025, setting the fiscal year 2026 mill levy consistent with the initial transition requirements for revenue neutrality; and

WHEREAS, Department of Revenue projections indicate a decline in the value of a mill in Billings for tax year 2026 (fiscal year 2027), such that maintaining fiscal year

2025/2026 revenue levels under a fixed mill cap (option (b)) would likely result in revenue shortfalls without increasing mills beyond the fiscal year 2026 amount; and

WHEREAS, electing option (a) under MCA 15-6-401(4) would provide greater flexibility for future revenue adjustments aligned with longstanding state limits under MCA 15-10-420, avoiding potential revenue reductions and better positioning the City for any future state property tax changes; and

WHEREAS, City staff and the Budget and Finance Committee recommend electing option (a) to guide development of the fiscal year 2027 budget, while noting that the final election occurs when the City Council adopts the resolution setting mills for fiscal year 2027, allowing for changes if circumstances warrant.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BILLINGS, MONTANA:

1. The City Council hereby directs City staff to proceed with developing the fiscal year 2027 budget and related mill levy calculations assuming an election under MCA 15-6-401(4)(a) to transition the City's charter-based mill levy limitations to a dollar-based limit equal to the amount of property taxes assessed in fiscal year 2025, thereafter subject to the provisions of MCA 15-10-420(1)(a).
2. This resolution provides early direction to staff for budgeting purposes only and does not constitute the final election under MCA 15-6-401(4). The City Council retains full authority to adopt a different transition option when setting the fiscal year 2027 mill levy, as required by law.
3. This resolution shall be effective upon adoption.

ADOPTED AND APPROVED by the City Council of the City of Billings, Montana, on the 23rd day of March, 2025.

CITY OF BILLINGS

By: \_\_\_\_\_  
Mike Nelson, Mayor

ATTEST:

By: \_\_\_\_\_  
Denise R. Bohlman, City Clerk