

# FISCAL NOTE

**Bill #:** HB0061

**Title:** Eliminate phase out of business equipment tax

**Primary Sponsor:** Ron Erickson

**Status:** As Introduced

\_\_\_\_\_  
Sponsor signature Date

\_\_\_\_\_  
Chuck Swysgood, Budget Director Date

## Fiscal Summary

	<b><u>FY2002</u></b> <b><u>Difference</u></b>	<b><u>FY2003</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>	0	0
<b>Revenue:</b>	0	0
<b>Net Impact on General Fund Balance:</b>	<b>\$0</b>	<b>\$0</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

## Fiscal Analysis

### ASSUMPTIONS:

1. The earliest this bill could impact current law would be FY 2004.
2. If this bill were passed, it would eliminate the phase-out of the tax on class 8 property.
3. The earliest that the class 8 tax rate could begin phase down is tax year 2004.
4. If the tax rate is phased down beginning in tax year 2004, it is estimated the taxable value reduction due to the phasing down of the class 8 tax would be \$16,023,287 in FY 2004, \$59,439,647 in FY 2005, \$106,218,112 in FY 2006, and \$143,987,543 in FY 2007. These values represent class 8 property only. This bill would have a significant long-range impact (see long-range impacts below).

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

If the tax rate for class 8 property is phased down beginning in TY 2004, it is estimated that the revenues for local governments would be reduced by: \$5,185,776 in FY 2004, \$19,237,047 in FY 2005, \$34,376,430 in FY 2006 and \$44,850,942 in FY 2007. Under this bill, these reductions in property tax revenues would not be realized.

LONG-RANGE IMPACTS:

This bill would eliminate the phase out of the tax on class 8 property. Under this bill the reductions in property tax revenues listed in the table below would not be realized, i.e. revenues to the following accounts would be higher than under current law which would phase-out the tax on class 8 property if Montana wage and salary income growth exceed the trigger set in 15-6-138(4), MCA.

<u>Fund</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
General Fund	\$1,532,307	\$5,684,213	\$10,157,637	\$13,252,674
6-Mill University	96,140	356,638	637,309	831,497
9-Mill Welfare	56,722	210,416	376,012	490,583