

FISCAL NOTE

Bill #: HB274

Title: Elderly homestead tax exemption

Primary

Sponsor: Stanley Fisher

Status: Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	(116,170)	(4,675)
Revenue:		
General Fund	0	(302,787)
State Special Revenue 9-mill	0	(19,592)
6-mill	0	(16,327)
Net Impact on General Fund Balance:	(116,170)	(307,462)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
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. According to the U.S. Census Bureau, 116,000 Montanan's are 65 or older. It is estimated that 75% or 87,000 are homeowners and would be eligible for the tax limitation provided by this bill. Revenue estimates are based on this assumption.
2. The average assessed value of a residence is \$79,400.
3. It is assumed that the class 4 tax rate will be 3.46% in CY2003.
4. The residential homestead exemption will be 31%
5. An increase of 9-mill will be used as an annual growth factor when determining the proposals impact.

(continued)

6. It is assumed that the tax loss under this proposal will be shared proportionately between taxing entities. These proportions are based on the current distribution of taxes.
7. The department will incur the expense of developing and processing the application form for the exemption.
8. The programming cost to add the features necessary to administer the exemption on the POINTs system is an estimate only and is subject to change

FISCAL IMPACT:

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	116,170	4,675
<u>Funding:</u>		
General Fund (01)	116,170	4,675
<u>Revenues:</u>		
General Fund (01)	0	(302,787)
State Special Revenue 9-mill (02)	0	(19,592)
Other 6-Mill	0	(16,327)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(116,170)	(307,462)
State Special Revenue 9-mill (02)	0	(19,592)
6-mill	0	(16,327)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

If this proposal is enacted local schools could expect to lose \$507,317 in FY2003. County and city governments could expect to lose \$460,118 and \$178,110, respectively.

LONG-RANGE IMPACTS:

Approximately 10,000 to 12,000 Montanan's reach the age of 65 every year. If the homeownership information remains accurate, 7,500 to 9,000 additional Montanan's could be eligible for this tax exemption every year. As the value of the property increases and as local mill levies increase the loss in tax revenue from this proposal would increase significantly as Montana's population over the age of 65 grows. It is estimated the impact to the state general fund would double in FY2004 and continue growing at significant rate in future year.

TECHNICAL NOTES:

1. Section 2 (3)(c) of the proposal is confusing. Cleaner language would be striking each occurrence of the word improvements and inserting "new construction changes"