FISCAL NOTE

Bill #: SB501

Title: Clarify and revise determination of newly taxable property

Primary Sponsor: Lorents Grosfield

Status: Senate 3rd Reading

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Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Revenue:		
General Fund	2,400	2,400
Net Impact on General Fund Balance:	**2,400**	**2,400**

Yes	No		Yes	No	
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 proposal impacts the calculation of the taxable value of newly taxable value in the case of the sale of centrally assessed property (subsection 2 of section 2). Beginning with tax year 2001 the computation of the taxable value of newly taxable property must account for the impact of the sale of centrally assessed property. Those taxing jurisdictions where a sale of centrally assessed property did not occur will not be impacted. In the case of the sale of centrally assessed property, the refinement contained in the proposal should result in a value that is a better reflection of the taxable value of newly taxable property.
2. The proposal also requires a retro-calculation of tax year 2000 taxable value of newly taxable property in the case of any sale of class thirteen property that occurred in tax year 1999 (subsection 3 of section 2). The retro-calculation will result in the Department of Revenue re-certifying the fiscal year 2001 taxable value of newly taxable property. Local government will then use the re-certified taxable value of newly taxable property and recalculate the fiscal year 2001 tax base per 15-10-420, MCA (the maximum mill levy calculation). If the re-calculated fiscal year 2001 tax base is 101% of the tax base actually used in fiscal year 2001, then the proposal will impact the maximum mill levy calculation to be made for fiscal

year 2002 (section 5). For those jurisdictions that meet the 101% trigger, the proposal will result in a lower maximum mill levy than under current law.

3. It is the responsibility of the Department of Revenue to provide re-certified taxable values of newly taxable property to the affected local governments. It is the responsibility of local governments to do the calculations required in section 5 of the proposal.
4. Statewide mill levies are not impacted by section 5 of the proposal.
5. Some local governments will be impacted by the re-certification of taxable values of newly taxable property and therefore must comply with section 5 of the proposal. In these cases, the maximum mill levy to be calculated for fiscal year 2002 will be lower than that calculated under current law.
6. It is assumed that only local governments and school districts with PP&L electrical generation assets within their boundaries will be impacted by section 5 of the proposal.
7. The number and types of local governments, taxing jurisdictions, and school districts with PP&L generation assets within their boundaries is shown below.

Type of Taxing Jurisdictions	Number of Jurisdictions
Cities / Towns	3
Elementary Dist	23
High School Dist	13
County General	10
County Road	10
Miscellanous Dist	61
Total	120

8. Not all the taxing jurisdictions in the table above may be impacted by section 5 of the proposal.
9. Under current law, school district mills levied for the transportation fund, bus depreciation fund, adult education fund, debt service fund, and the building reserve fund, are the only school district mill levies subject to the maximum mill levy calculation in 15-10-420, MCA and therefore possibly impacted by this proposal
10. There will be a slight shift of fiscal year 2002 non-levy revenue as a result of the lower mill levies for some local governments and school districts due to the proposal. Non-levy revenue is distributed to taxing jurisdictions on the basis of mill levies. The state and schools will have a greater portion of the overall mill levy, thereby having a greater share of non-levy. Those taxing jurisdictions with a lower mill levy due to the proposal will receive less non-levy revenue.
11. It is estimated that the reduction in mill levies will cause non-levy revenue to the state to increase by $2,400 in fiscal year 2002. This estimate is used for illustrative purposes only as the actual calculation will take more time than is available.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
Revenues:		
General Fund (01)	2,400	2,400
Net Impact to Fund Balance (Revenue minus Expenditure):		
General Fund (01)	2,400	2,400

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Only taxing jurisdictions that have PP&L electrical generation assets may be impacted by the provision of section 5 of the proposal. Counties with PP&L properties are Cascade, Flathead, Gallatin, Lake, Lewis and Clark, Madison, Rosebud, Sanders, Stillwater and Yellowstone.

For example in the case of Cascade County, it is estimated that the maximum mill levy calculated for the county general fund under the proposal would be 93% of the maximum mill levy calculated under current law. For the Cascade County road fund, it is estimated that the maximum mill levy calculated for the road fund under the proposal would be 82% of the maximum mill levy calculated under current law. Data for other local governments in Cascade County was unavailable to provide analysis in a timely manner. In Lewis and Clark County it is estimated that the maximum mill levy calculated under the proposal for the funds within Wolf Creek Elementary School District that are subject to MCA 15-10-420 would be 65% of the maximum mill levy allowed under current law. Similarly, for Craig Elementary School District, it is estimated that the maximum mill levy calculated under the proposal would be 70% of the maximum mill levy allowed under current law. In Sanders County, it is estimated that the maximum mill levy calculated for the road fund under the proposal would be 94% of the maximum mill levy allowed under current law.

For Cascade County it is estimated that the potential property tax revenue generated by the maximum mill levy will decrease by $625,000 due to the proposal. For the county road fund in Cascade County, it is estimated that the potential property tax revenue generated by the maximum mill levy will decrease by $150,000. For Sanders County it is estimated that the potential property tax revenue generated by the maximum mill levy will decrease $18,000. There may be revenue decreases for other taxing jurisdictions and school districts within counties with PP&L property, but the information is unavailable at this time to estimate the impact.