

Fiscal Note Request SB0087, As Introduced

(continued)

5. New section 3 of the bill, specifies a transfer amount from the general fund and university 6 mill account to the centrally assessed property tax SSRA equal to 50% of protested moneys held on the effective date of the bill, not to exceed \$4 million of the general fund.
6. Upon the effective date of the bill, DOR expects that more than \$8 million in protested taxes will be in the general fund and the university 6 mill account through the first half of FY 2005.
7. For purposes of this fiscal note, it is estimated that upon passage and approval \$4.0 million will be transferred to the centrally assessed property tax SSR.
8. It is assumed that the transfer amount will be proportional between the general fund and the university 6 mill account. The general fund portion is 94% (95 mills ÷ 101 total mills), or \$3,762,376. The university 6 mill accounts portion is 6% (6 mills ÷ 101 total mills), or \$237,624.
9. The amount of centrally assessed protested property taxes varies from year to year. For purposes of this fiscal note, the FY 2003 amount of protested taxes due to the state has been used to illustrate the fiscal impacts to the various funds for future impacts. The department anticipates that similar revenues will be received and distributed in future years. No growth factor, or risk of collection factor has been applied.
10. In FY 2003, centrally assessed companies protested \$2,387,133 of taxes associated with the general fund (95 mills), and \$150,766 from the university system 6 mill. These amounts are used to project FY 2006 and FY 2007 protested tax amounts. Since the first half FY 2005 payments will be due prior to passage and approval, half-year amounts are used to project FY 2005 impacts.
11. Under SB 87, DOR would deposit 50% of the anticipated university 6 mill amount, or \$75,383 (50% x \$150,766) per year into the SSRA used for support of the university system. A like amount of \$75,383 would be deposited each year into the centrally assessed protested property tax SSRA. The FY 2005 half-year impacts are \$37,691 (\$75,383 x 50%) to the SSRA used for support of the university system, and \$37,691 into the centrally assessed protested property tax SSRA.
12. Under the proposal, 50% of the states 95 mill levy portion of \$2,387,133, or \$1,193,566 (\$2,387,133 x 50%) would be deposited into the general fund each year. The remaining 50%, \$1,193,566 is deposited into the centrally assessed protested property tax SSRA. The FY 2005 half-year impacts are \$596,783 (\$1,193,566 x 50%) deposited into the general fund, and the same \$596,783 is deposited into the centrally assessed protested property tax SSRA.
13. Although the impacts show a loss of revenue to the general fund and the 6 mill account, the bill only directs revenue into the new centrally assessed protested property fund. State revenue overall remains constant under the bill. Under the proposal, if a settlement or decision is reached with a protesting taxpayer, any reimbursements back to the taxpayer would come (first) from the new centrally assessed protested property tax SSRA, instead of the general fund and the 6 mill account.

FISCAL IMPACT:

| | <u>FY 2005</u> <u>Difference</u> | <u>FY 2006</u> <u>Difference</u> | <u>FY 2007</u> <u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Expenditures:</u> | | | |
| Transfers | \$4,000,000 | \$0 | \$0 |
| <u>Funding:</u> | | | |
| General Fund (01) | \$3,762,376 | \$0 | \$0 |
| State Special Revenue – University 6 mill | <u>\$237,624</u> | <u>\$0</u> | <u>\$0</u> |
| TOTAL | \$4,000,000 | \$0 | \$0 |

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Revenues:

| | | | |
|---|-------------|---------------|---------------|
| General Fund (01) | (\$596,783) | (\$1,193,566) | (\$1,193,566) |
| State Special Revenue – University 6 mill | (\$37,691) | (\$75,383) | (\$75,383) |
| State Special Revenue – Protest Account | \$4,634,474 | \$1,268,950 | \$1,268,950 |

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

| | | | |
|---|---------------|---------------|---------------|
| General Fund (01) | (\$4,359,159) | (\$1,344,333) | (\$1,344,333) |
| State Special Revenue – University 6 mill | (\$275,315) | (\$75,383) | (\$75,383) |
| State Special Revenue – Protest Account | \$4,634,474 | \$1,268,950 | \$1,268,950 |

TECHNICAL NOTES:

1. The proposed language in 15-1-402(4)(b)(i), MCA, could be clarified. The language has 'Fifty percent of the remainder of the funds must be deposited in the state general fund, and the other 50% must be deposited in a centrally assessed property tax state special revenue fund.' In context, the remainder of the funds would be the 95 mill levy portion, it would be more clear if it was stated as such in the bill.