GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0843	**Title:**	Property tax exemption for transmission line impacts to adjacent property
Primary Sponsor:	Jones, Llew	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☑ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$2,500	$0	$0	$0
Revenue:				
General Fund	$0	$0	($6,636)	($6,636)
University Six Mill Account	$0	$0	($419)	($419)
Net Impact-General Fund Balance	($2,500)	$0	($6,636)	($6,636)

Description of fiscal impact:
Proposed law in conjunction with completion of the Alberta Tie will exempt approximately $70,000 in taxable value from property taxation. This will permanently decrease state general fund, university six mill state special revenue, local government, and school district revenue.

FISCAL ANALYSIS

Assumptions:
1. Proposed law exempts some class 3 and class 10 property from taxation if the property is within 660 feet of a transmission line of design capacity exceeding 30 megavoltamperes (MVA) constructed following January 1, 2007. To earn the exemption, property owners must file with the Department of Revenue by March 1 in the tax year the exemption is sought.
2. One transmission line meeting the 30 MVA capacity constraint has a projected completion date between January 1, 2007 and March 1, 2010. This transmission line is the Montana Alberta Tie (Alberta Tie).

3. According to information released by Montana Alberta Tie, LTD., Montana line mileage is projected to be 120 miles, or 633,600 feet {120 miles X 5,280 feet per mile}. Approximately 92% of this length, or 582,912 feet {633,600 X 92%} will pass through Class 3 agricultural property. The remainder will pass through state or federal land.
4. The average easement width is projected to be approximately 30 meters, or 98 feet {30 meters / 0.3048 meters per foot}.
5. Proposed law exempts 660 feet of qualifying property on each side of the midpoint of a transmission easement, excluding property within the easement. The proposed exemption will total a width of 1,222 feet along the line of easement {2 X 660 feet – 98 feet}.
6. Total projected exempt acreage under proposed law is 16,353 acres {(582,912 feet X 1,222 feet) / 43,560 square feet per acre}.
7. Approximately 9% of the projected exempt acreage is in Cascade County, 7.5% is in Chouteau County, 29% is in Glacier County, 37.5% is in Pondera County, and 17% is in Teton County. Using these figures, proposed law and projected construction of the Alberta Tie will increase exempt acreage by 1,471 acres in Cascade County {16,353 acres X 9%}, 1,226 acres in Chouteau County {16,353 X 7.5%}, 4,742 acres in Glacier County {16,353 X 29%}, 6,132 acres in Pondera County {16,353 X 37.5%}, and 2,779 acres in Teton County {16,353 X 17%}.
8. For tax year 2006 the average taxable value of class 3 property is $3.68 per acre in Cascade County, $4.34 per acre in Chouteau County, $3.25 per acre in Glacier County, $5.17 per acre in Pondera County, and $4.29 per acre in Teton County.
9. The tax year 2006 taxable value of property projected to be exempted under proposed law and completion of the Alberta Tie is $5,413 in Cascade County {1,471 acres X $3.68 per acre}, $5,321 in Chouteau County {1,226 acres X $4.34 per acre}, $15,412 in Glacier County {4,742 acres X $3.25 per acre}, $31,702 in Pondera County {6,132 acres X $5.17 per acre}, and $11,922 in Teton County {2,779 acres X $4.29 per acre}.
10. Total tax year 2006 taxable value of property projected to be exempted under proposed law and completion of the Alberta Tie is $69,770 {$5,413 + $5,321 + $15,412 + $31,702 + $11,922}. Table 1 shows the estimated taxable value by county.

Table 1
Estimated TY 2006 Taxable Value of Property Exempted Under Proposed Law and Completion of the Alberta Tie

County	Estimated Alberta Tie Mileage through Class 3 Property	Estimated Increase in Exempt Acreage	Estimated TY 2006 Average Taxable Value per Acre of Class 3 Property	Estimated TY 2006 Taxable Value of Exempted Class 3 Property
Cascade	9.94	1,471	$ 3.68	$ 5,413
Chouteau	8.28	1,226	4.34	5,321
Glacier	32.02	4,742	3.25	15,412
Pondera	41.40	6,132	5.17	31,702
Teton	18.77	2,779	4.29	11,922
Total	110.40	16,350		$ 69,770

11. Under current and proposed law, there are 95 school equalization and 1.5 vocational-technical school general fund mills levied in Cascade County, and 95 general fund mills levied in Chouteau, Glacier,

Pondera, and Teton counties. The weighted average general fund mill levy is 95.11 mills, with taxable values of affected properties used as weights.

12. Estimated FY 2007 general fund revenue from levies on property that will be exempt under proposed law and completion of the Alberta Tie is $6,636 {$69,770 X 95.11/1000}.
13. There are 6 university system state special revenue mills levied in all counties.
14. Estimated FY 2007 university state special revenue fund revenue from levies on property that will be exempt under proposed law and completion of the Alberta Tie is $419 {$69,770 X 6/1000}.
15. The weighted average rural mill levy (less state mills) in counties traversed by the projected Alberta Tie in tax year 2006 was 423 mills. Estimated FY 2007 revenue to local governments and schools from taxes levied on property that will be exempt under proposed law and completion of the Alberta Tie is $29,499 {$69,770 X 423/1000}.
16. Table 2 details estimated FY 2007 revenue from taxes levied on the tax year 2006 taxable value of property that will be exempt under proposed law and completion of the Alberta Tie.

Table 2
Estimated FY 2007 Current Law Revenue from Property Exempted Under HB 843 and Construction of the Montana Alberta Tie

County	Estimated TY 2006 Taxable Value in Proposed Exemptions	Estimated General Fund Revenue	Estimated University Six Mill Revenue	Estimated General Countywide Revenue	Estimated Countywide School Revenue	Estimated School District Revenue	Estimated Fire Levy and Other Revenue	Total Local Government and School District Revenue
Cascade	$ 5,413	$ 522	$ 32	$ 731	$ 244	$ 1,050	$ 70	$ 2,095
Chouteau	5,321	505	32	708	138	857	160	1,862
Glacier	15,412	1,464	92	2,866	616	2,820	92	6,396
Pondera	31,702	3,012	190	5,611	1,490	6,372	380	13,854
Teton	11,922	1,132	72	1,669	608	2,825	191	5,293
Total	$ 69,770	$ 6,636	$ 419	$ 11,585	$ 3,096	$ 13,924	$ 894	$ 29,499

17. Projected date for completion of the Alberta Tie is Summer 2008. Fiscal note projects all applications by property owners for exemptions will be filed by March 1, 2009. Thus the fiscal impact of property exemptions will first occur in FY 2010. Fiscal note assumes the fiscal impact to all entities in FY 2010 and FY 2011 will equal the estimate of taxes levied on the tax year 2006 taxable value of property that will be exempt under proposed law and completion of the Alberta Tie.
18. Under proposed law, Department of Revenue will require $2,500 in FY 2008 for development of a form. The form is an application for exemption from property taxation.

Fiscal Impact:

FTE	0.00	0.00	0.00	0.00
Expenditures:				
Form Creation	$2,500	$0	$0	$0
TOTAL Expenditures	$2,500	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$2,500	$0	$0	$0
TOTAL Funding of Exp.	$2,500	$0	$0	$0
Revenues:				
General Fund (01)	$0	$0	($6,636)	($6,636)
University 6 Mill Account (02)	$0	$0	($419)	($419)
TOTAL Revenues	$0	$0	($7,055)	($7,055)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($2,500)	$0	($6,636)	($6,636)
University 6 Mill Account (02)	$0	$0	($419)	($419)

Effect on County or Other Local Revenues or Expenditures:

1. The revenue loss to local governments and school districts will be $29,499 in FY 2010 and FY 2011.

Long-Range Impacts:

1. The proposed legislation is permanent.
2. TransCanada's NorthernLights initiative proposes a 3,000 MW transmission line running from Montana to Las Vegas. The route is currently undefined. The line will not be operational before late 2012.
3. Wind Hunter LLC proposes a wind energy development package in Valley County. Part of the package is a 69 kilovolt transmission line that would meet the capacity requirements of proposed law, and would total about 30 miles. This line might be built as soon as 2008, but projected completion is uncertain.

Technical Notes:

DOR

1. In subsection 1 (1); "the portion of contiguous or noncontiguous" and "under one ownership that is" should be removed.
2. For ease of administration, the exemption should include property in the right-of-way or easement.
3. In addition to the application for exemption, Department of Revenue (DOR) will require a certificate of survey prepared by a surveyor registered with the Board of Professional Engineers and Land Surveyors, designating the exact location and legal description of the property. A certificate of survey is not required by the Department of Environmental Quality under 75-20-207, MCA.
4. The application process would be streamlined if the owner of the transmission line were required to apply for the exemption on behalf of the taxpayer, and notify DOR when a transfer of ownership takes place.
5. The language defining "transmission line" in subsection 1 (4) is not consistent with SB 562.

DOC

6. Under ARM 17.20.1804 (4)(a), an applicant for a certificate under the Major Facility Siting Act must submit to the Department of Environmental Quality centerline location information at a scale of 1:24000

at least 15 days prior to construction. However, the actual line location could be anywhere within a certified 500-foot width, which itself may vary according to site-specific circumstances. DEQ does not require or receive post-construction "as-built" maps.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*