SENATE Joint Select Reappraisal
11
3/10/09

6 Year Phase In, With Primary Residences and Associated Exemption

Assumptions (as per decision point mapping document)

Phase In: Yes – 6 years

Class 3 Tax Rate: Phased-in to 2.28%
Class 4 Residential Tax Rate: Phased-in to 2.28%
Class 4 Commercial Tax Rate: Phased-in to 2.28%
Class 10 Tax Rate: Phased-in to 17.5%

Homestead Exemption: Phased-in to 57.64% for Primary or Associated Residences

Comstead Exemption: Phased-in to 17.5%

No additional relief in the form of circuit breakers. Consolidate EPTAP, PTAP, DAV and 2EC into one program if possible.

The tax rates are not decoupled.

There is not a staggered homestead exemption.

Homestead exemption only applies to primary residences and associated properties.

The phase in is six years. The reappraisal cycle is 3 years. If values have turned down the, reappraised value would be put on the books immediately.

Standards Used in Analysis by Department of Revenue – Tax Policy and Research

All mills float. The individual home examples and individual business examples use the average consolidated mills. This includes the 6 university mills, the 95 school mills, all mills levied by local jurisdictions and schools.

The analysis uses the OBPP growth rates for each class of property to estimate the growth in newly taxable property.

The cost of this mitigation strategy is assumed to be the difference between what class 4 residential property paid in FY 2008 and what they will pay in this mitigation strategy.

The reappraisal impact on class 4 property is calculated with the percentages that comply with the International Association of Assessing Officers standards. All class 4 properties are included in the base, but the percentage change of the outliers is not incorporated into the analysis.

6 Year Phase In, With Priamry Rer es and Associated Exemption

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Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Class 4 Homestead	Class 4 Comstead
3.01%	3.01%	3.01%	0.35%	34.00%	15.00%

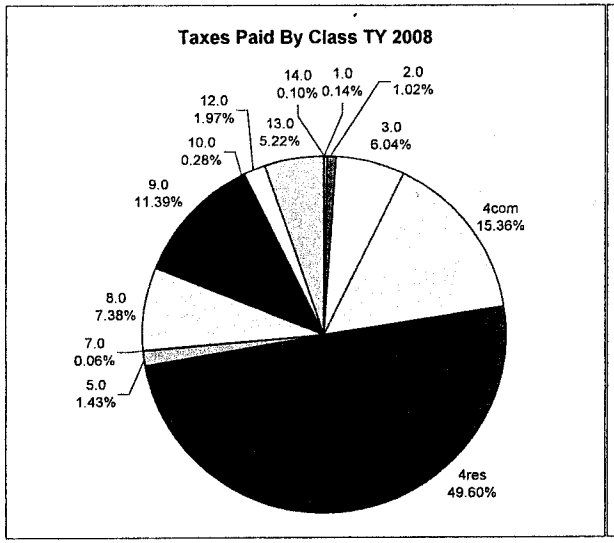
Proposed Mitigation

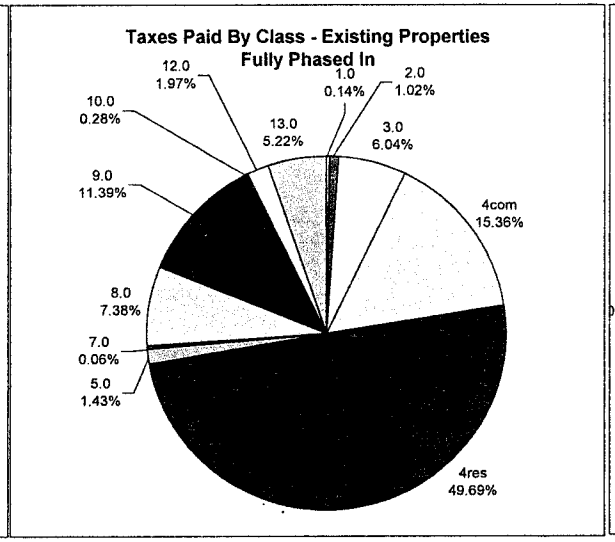
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Class 4 Homestead	Class 4 Comstead
2.28%	2.28%	2.28%	0.23%	57.64%	17.50%

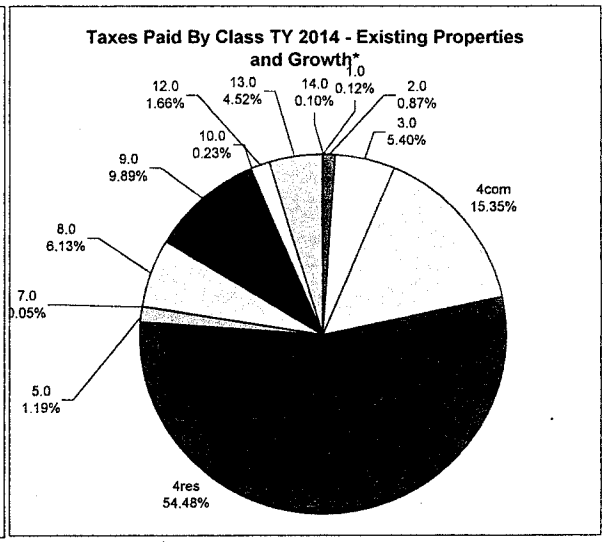
39.65% for Primary and Associated Residences in 2009

		TY 2008		Fully Phased In - Existing Properties				TY 2014 Existing Properties and Growth*			
Tax Class	Description	Taxable Value	Taxes Paid	Taxable Value	Taxes Paid	% Change in Taxes Paid	$ Change in Taxes Paid	Taxable Value	Taxes Paid	% Change in Taxes Paid From TY 2008	$ Change in Taxes Paid From TY 2008
1.0	Mine Net Proceeds	4,013,187	1,651,471	4,013,187	1,651,471	0.00%	0	4,089,168	1,373,251	-16.85%	(278,220)
2.0	Gross Proceeds	24,540,432	11,627,140	24,540,432	11,627,140	0.00%	0	21,116,736	9,909,934	-14.77%	(1,717,206)
3.0	Agricultural Land	142,098,658	68,908,193	144,186,193	68,908,193	0.00%	(0)	145,364,834	61,672,251	-10.50%	(7,235,941)
4com	Commercial Property	289,796,019	175,206,000	395,147,522	175,206,000	0.00%	0	288,436,053	175,205,386	0.00%	(614)
4res	Residential Property	1,006,798,601	565,830,038	1,559,557,275	566,619,077	0.14%	789,039	1,252,093,345	621,914,476	9.91%	56,084,438
5.0	Pollution Control Equipment	35,154,576	16,275,932	35,154,576	16,275,932	0.00%	(0)	37,770,011	13,601,688	-16.43%	(2,674,243)
7.0	Non-Centrally Assessed Utilities	1,214,360	734,443	1,214,360	734,443	0.00%	0	1,494,245	621,307	-15.40%	(113,135)
8.0	Business Personal Property	163,140,404	84,149,499	163,140,404	84,149,499	0.00%	(0)	209,727,624	70,024,834	-16.79%	(14,124,665)
9.0	Non-Electrical Generating Property of Electrical Utilities	263,086,175	129,940,878	263,086,175	129,940,878	0.00%	(0)	354,294,467	112,907,903	-13.11%	(17,032,975)
10.0	Forestland	6,815,620	3,241,315	6,899,675	3,241,315	0.00%	(0)	6,848,355	2,583,841	-20.28%	(657,474)
12.0	Railroad and Airline Property	43,567,384	22,475,586	43,567,384	22,475,586	0.00%	0	44,555,474	18,995,142	-15.49%	(3,480,444)
13.0	Telecommunications & Electric Property	154,611,156	59,531,164	154,611,156	59,531,164	0.00%	(0)	205,933,440	51,611,044	-13.30%	(7,920,120)
14.0	Commercial Wind Generation Facilities	2,943,785	1,175,095	2,943,785	1,175,095	0.00%	(0)	7,643,733	1,114,734	-5.14%	(60,361)
Total		2,137,780,357	1,140,746,754	2,798,062,124	1,141,535,793	0.07%	789,039	2,579,367,486	1,141,535,793	0.07%	789,039

*Growth includes both new property and the inflation growth allowed by 15-10-420, MCA

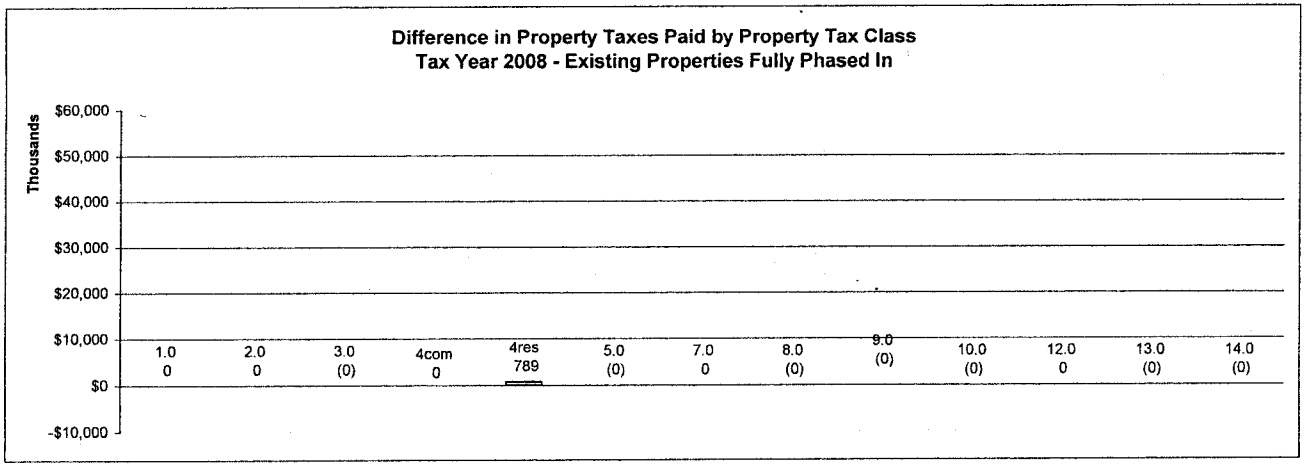


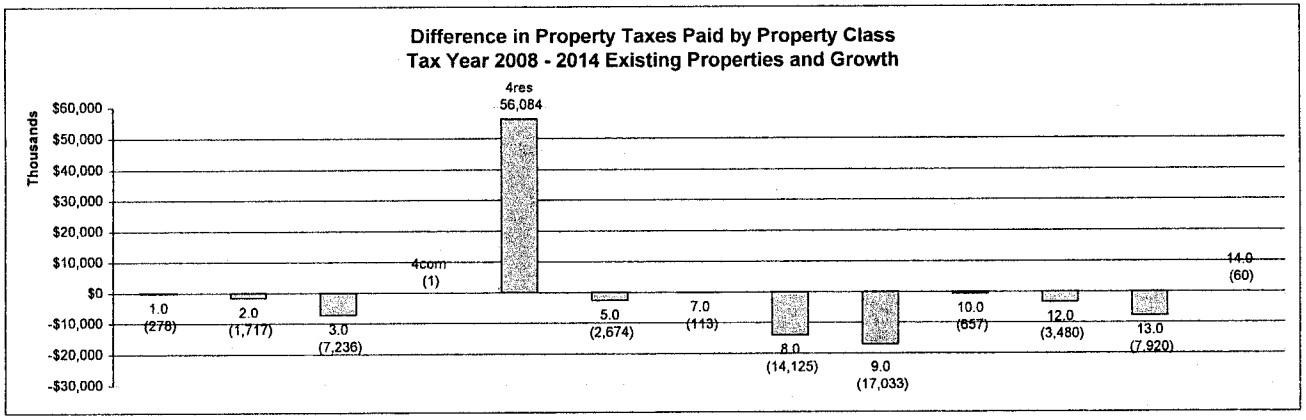




Current Law					
Class 3 Agricultural Tax Rate 3.01%	Class 4 Residential Tax Rate 3.01%	Class 4 Commercial Tax Rate 3.01%	Class 10 Forestland Tax Rate 0.35%	Class 4 Homestead 34.00%	Class 4 Comstead 15.00%

Proposed Mitigation					
Class 3 Agricultural Tax Rate 2.28%	Class 4 Residential Tax Rate 3.01%	Class 4 Commercial Tax Rate 3.01%	Class 10 Forestland Tax Rate 0.23%	Class 4 Homestead 57.64%	Class 4 Comstead 39.72%





Balance Sheet of Tax Changes Caused by This Mitigation Proposal (Tax Year 2008 - Existing Properties Fully Phased In)

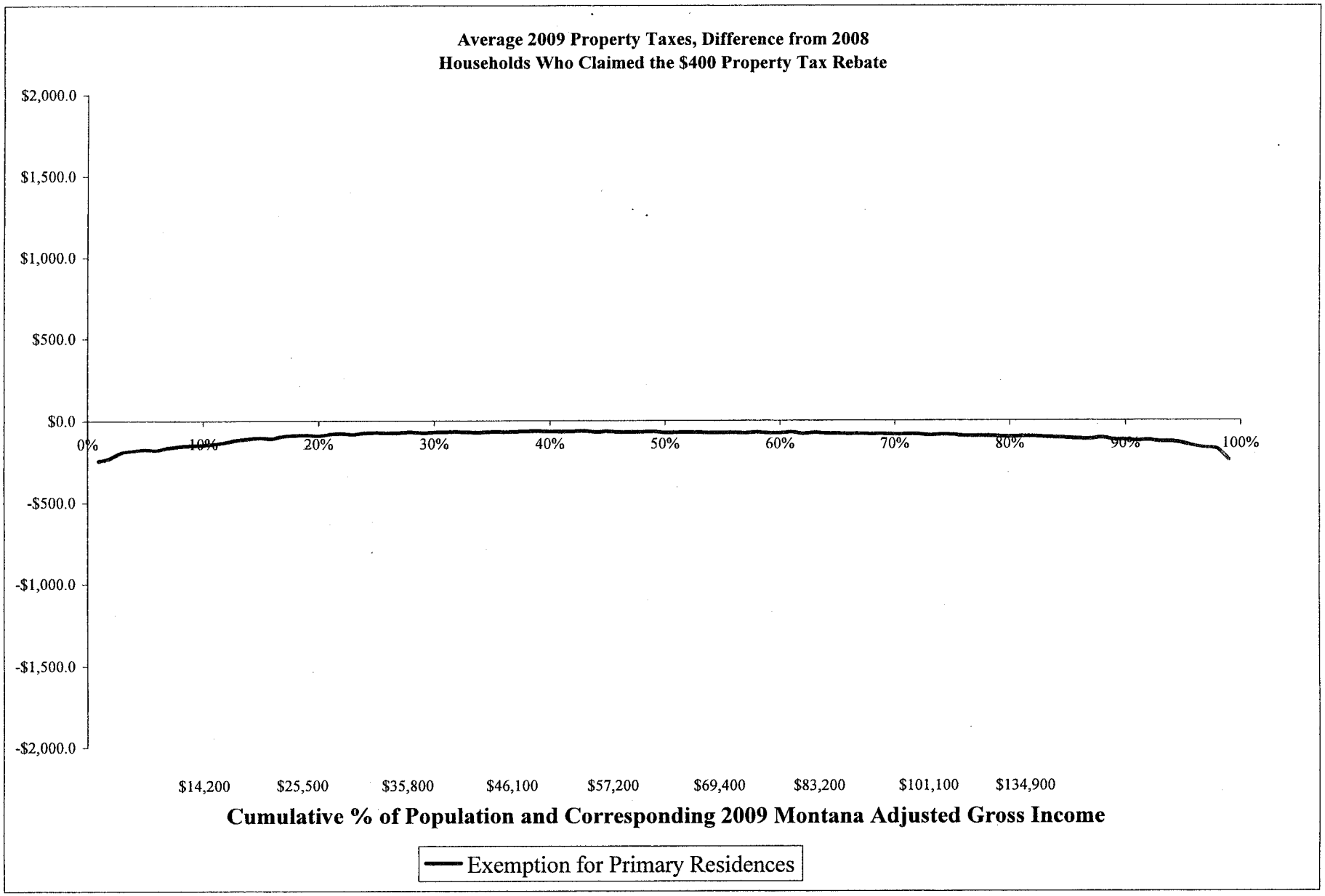
Transfer to Class 4 Residential	$789,039
Amount in Circuit Breaker	$0
Transfer to Class 4 Commercial	$0
Transfer from All Other Classes	$0
Total	**$789,039**

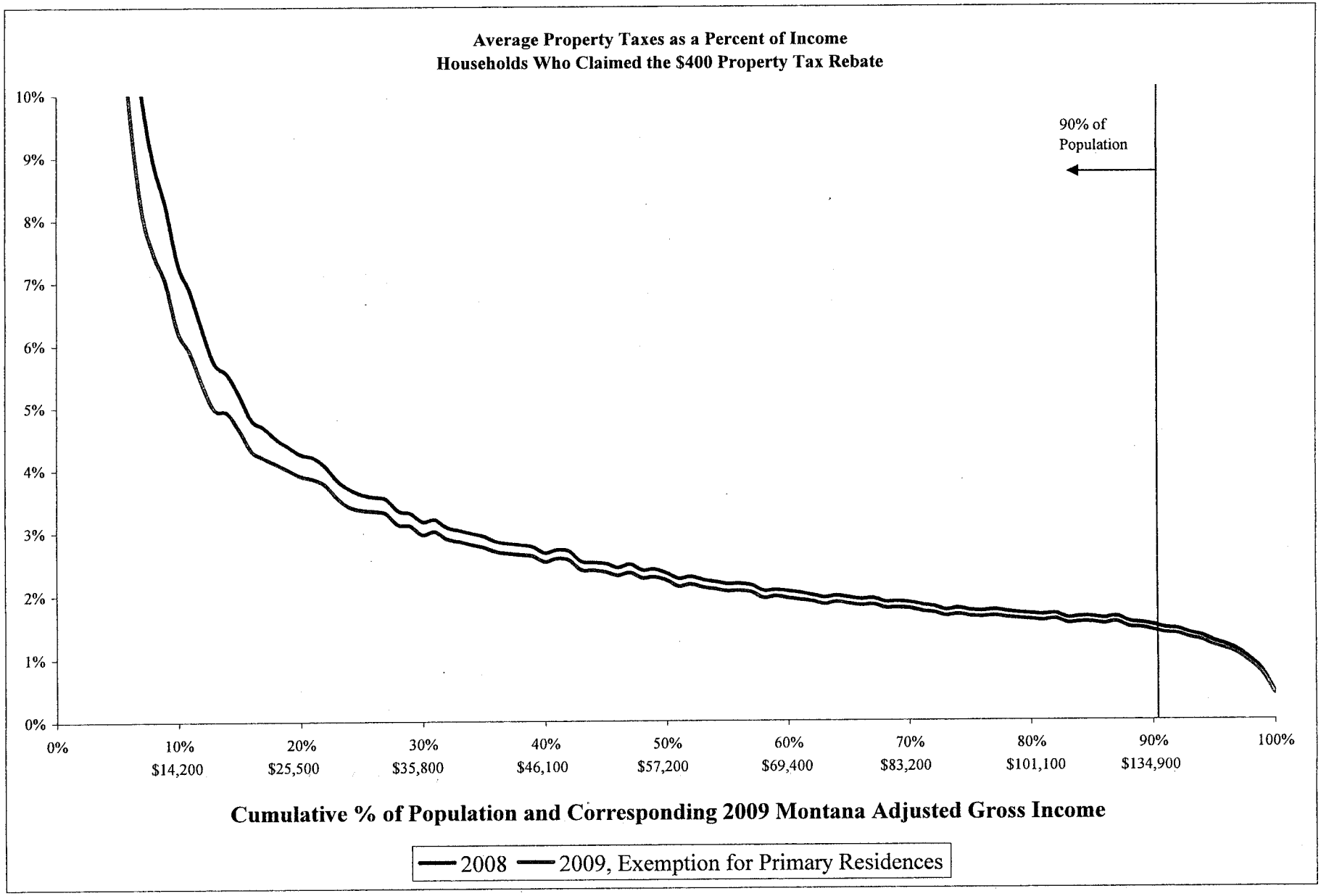
This balance sheet is calculated using the diffrence between the taxes paid in FY 2008 and the calculated amounts that existing properties will pay when fully phased in. Circuit breakers are included in the calculation, reducing the transfer to Class 4 residential property.

Circuit Breaker
Homestead Exemption for Primary Residences

Existing Elderly Homeowner/Renter Credit

Credit for Property Tax More Than This Percent of Income		varies, 0% to 5%
Maximum Credit		$1,000
Credit Begins to Phase-Out at This Income		$35,000
Credit is Completely Phased-Out at This Income		$45,000
	Number	Amount
Credits to Homeowners	14,514	$6,842,774
Credits to Renters	7,567	$2,967,852
Total	22,081	$9,810,626
Additional Mills to Fund Circuit Breaker		0.00


Average 2009 Property Taxes, Difference from 2008
Households Who Claimed the $400 Property Tax Rebate
$2,000.0
$1,500.0
$1,000.0
$500.0
$0.0
-$500.0
-$1,000.0
-$1,500.0
-$2,000.0
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
$14,200
$25,500
$35,800
$46,100
$57,200
$69,400
$83,200
$101,100
$134,900
Cumulative % of Population and Corresponding 2009 Montana Adjusted Gross Income
Exemption for Primary Residences


Average Property Taxes as a Percent of Income
Households Who Claimed the $400 Property Tax Rebate
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
90% of Population
0%
10% $14,200
20% $25,500
30% $35,800
40% $46,100
50% $57,200
60% $69,400
70% $83,200
80% $101,100
90% $134,900
100%
Cumulative % of Population and Corresponding 2009 Montana Adjusted Gross Income
2008
2009, Exemption for Primary Residences

6 Year Phase-In, with Priamry Residences and Associated Properties

Current Law					
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Homestead	Comstead
3.01%	3.01%	3.01%	0.35%	34.00%	15.00%
Proposed Mitigation					
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Homestead	Comstead
2.89%	2.89%	2.89%	0.33%	**39.62%**	15.83%

Assumptions: Homestead Exemption = 39.65% for Primary and Associated Residences in 2009

15.8% Comstead In 2009

Calculation of Tax Liability

1. Market Value = 2008 Market Value + Phase In Amount
2. Market Value x (1 - Homestead) = Taxable Market Value
3. Taxable Market Value x Tax Rate = Taxable Value
4. Taxable Value x Mills / 1000 = Tax Liability

Example of the TY 2009 Median Value Home		
MV Before Reappraisal	$98,400	
MV After Reappraisal	$152,000	
Tax Year	**2008**	**2009**
Market Value	$98,400	$107,333
Homestead	34.00%	39.62%
Amount Exempt	$33,456	$42,525
Taxable Market Value	$64,944	$64,808
Tax Rate	3.01%	2.89%
Taxable Value	$1,955	$1,873
Average Mills	538.19	516.04
Tax Liability	$1,052	$967
2009 Income (MAGI)		$65,140
Percent of Income Paid		1.48%
Credit Amount		$0

Example of a TY 2009 Average Value Home		
MV Before Reappraisal	$116,900	
MV After Reappraisal	$178,920	
Tax Year	**2008**	**2009**
Market Value	$116,900	$127,237
Homestead	34.00%	39.62%
Amount Exempt	$39,746	$50,411
Taxable Market Value	$77,154	$76,825
Tax Rate	3.01%	2.89%
Taxable Value	$2,322	$2,220
Average Mills	538.19	516.04
Tax Liability	$1,250	$1,146
2009 Income (MAGI)		$74,759
Percent of Income Paid		1.53%
Credit Amount		$0

6 Year Phase In, with Primary Residences and Associated Exemption

Example of a TY 2009 Median Value Resort Home		
MV Before Reappraisal	$150,450	
MV After Reappraisal	$326,600	
Tax Year	**2008**	**2009**
Market Value	$150,450	$179,808
Homestead	34.00%	39.62%
Amount Exempt	$51,153	$71,240
Taxable Market Value	$99,297	$108,568
Tax Rate	3.01%	2.89%
Taxable Value	$2,989	$3,138
Average Mills	538.19	516.04
Tax Liability	$1,609	$1,619
2009 Income (MAGI)		$59,297
Percent of Income Paid		2.73%
Credit Amount		$0

Example of a TY 2009 $500,000 Home		
MV Before Reappraisal	$300,000	
MV After Reappraisal	$500,000	
Tax Year	**2008**	**2009**
Market Value	$300,000	$333,333
Homestead	34.00%	39.62%
Amount Exempt	$102,000	$132,067
Taxable Market Value	$198,000	$201,267
Tax Rate	3.01%	2.89%
Taxable Value	$5,960	$5,817
Average Mills	538.19	516.04
Tax Liability	$3,207	$3,002
2009 Income (MAGI)		$200,547
Percent of Income Paid		1.50%
Credit Amount		$0

Example of a TY 2009 $1,000,000 Home		
MV Before Reappraisal	$650,000	
MV After Reappraisal	$1,000,000	
Tax Year	**2008**	**2009**
Market Value	$650,000	$708,333
Homestead	34.00%	39.62%
Amount Exempt	$221,000	$280,642
Taxable Market Value	$429,000	$427,692
Tax Rate	3.01%	2.89%
Taxable Value	$12,913	$12,360
Average Mills	538.19	516.04
Tax Liability	$6,950	$6,378
2009 Income (MAGI)		$477,527
Percent of Income Paid		1.34%
Credit Amount		$0

6 Year Phase In, with Primary Residences and Associated Exemption

Example of a TY 2009 Business with $200,000 in Class 4 and $100,000 in Class 8		
MV Before Reappraisal	$150,000	
MV After Reappraisal	$200,000	
MV of Class 8	$100,000	
Tax Year	**2008**	**2009**
Class 4		
Market Value	$150,000	$158,333
Homestead	15.00%	15.83%
Amount Exempt	$22,500	$25,069
Taxable Market Value	$127,500	$133,264
Tax Rate	3.01%	2.89%
Taxable Value	$3,838	$3,851
Average Mills	538.19	516.04
Tax Liability	$2,065	$1,987
Class 8		
Market Value	$100,000	$100,000
Taxable Value	$3,000	$3,000
Mills	538.19	516.04
Tax Liability	$1,615	$1,548
Total Tax Liability	$3,680	$3,536

Example of a TY 2009 Business with $400,000 in Class 4 and $100,000 in Class 8		
MV Before Reappraisal	$300,000	
MV After Reappraisal	$400,000	
MV of Class 8	$100,000	
Tax Year	**2008**	**2009**
Class 4		
Market Value	$300,000	$316,667
Homestead	15.00%	15.83%
Amount Exempt	$45,000	$50,138
Taxable Market Value	$255,000	$266,529
Tax Rate	3.01%	2.89%
Taxable Value	$7,676	$7,703
Average Mills	538.19	516.04
Tax Liability	$4,131	$3,975
Class 8		
Market Value	$100,000	$100,000
Taxable Value	$3,000	$3,000
Mills	538.19	516.04
Tax Liability	$1,615	$1,548
Total Tax Liability	$5,745	$5,523

6 Year Phase In, with Primary Residences and Associated Exemption