



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0230	Title:	Generally revise property tax laws
Primary Sponsor:	Reichner, Scott	Status:	As Introduced-Revised

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|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$51,686,746)	(\$54,192,784)	(\$55,547,609)	(\$57,325,122)
Net Impact-General Fund Balance:	<u><u>(\$51,686,746)</u></u>	<u><u>(\$54,192,784)</u></u>	<u><u>(\$55,547,609)</u></u>	<u><u>(\$57,325,122)</u></u>

Description of fiscal impact: HB 230 reduces the statewide school equalization mill levy from 40 mills to 19.6 mills. This bill would reduce state general fund property tax revenue by \$52 million in FY 2014 and \$54 million in FY 2015 with the reduction continuing to grow over time.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. Under current law, there is a statewide 40 mill state equalization aid levy (20-9-360, MCA) that is deposited to the state general fund for public schools. HB 230 reduces the 40 mill levy to 19.6 mills which would reduce revenue to the state general fund.
2. This bill would not reduce state school equalization funding under Title 20 of the MCA.
3. The fiscal impact of this bill is measured by multiplying the estimated statewide taxable value that the state receives from the 95 mill levies that are not retained by tax increment financing districts by negative 20.4 mills (i.e. 19.6 minus 40).
4. Statewide taxable value for the 6 mill levy presented in SJ 2 for FY 2014 and FY 2015 was used as the base statewide taxable value. Those numbers are extended for FY 2016 and FY 2017 by growing the FY 2015 base by the Office of Budget and Program Planning (OBPP) estimates of statewide taxable value growth for FY 2016 and FY 2017 (2.5% and 3.2% respectively). Because tax increment financing (TIF) districts retain all mills levied in those districts (other than the university 6 mill levy on the incremental taxable value in the district), the state does not receive the property tax revenue from the statewide school mills. As a result, this

taxable value is subtracted from the estimated statewide property tax base. The SJ 2 estimates of TIF district incremental taxable value are extended by applying the OBPP TIF taxable value growth rates for FY 2016 and FY 2017 (3.3% and 3.9%, respectively).

- Applying negative 20.4 mills to the estimated statewide taxable value applicable to the 95 mill tax base the state receives results in revenue reductions on the order of \$52 million in FY 2014. This reduction grows by approximately \$1.5 to \$2.5 million each year thereafter. The results of combining assumptions 4 and 5 are provided in the table below:

State General Fund Property Tax Revenue Reduction under HB 230 as Introduced- Revised for SJ2				
	FY 2014	FY 2015	FY 2016	FY 2017
SJ 2 Estimate of Statewide Taxable Value	2,580,701,000	2,656,509,000	2,722,922,000	2,810,055,000
Incremental Taxable Value in TIF Districts	47,037,000	45,359,000	46,856,000	48,683,000
Taxable Value for 22, 33, and 40 mill levies	2,533,664,000	2,611,150,000	2,676,066,000	2,761,372,000
Mill Reduction (20.4 mills) under HB 230 as Introduced	-0.0204	-0.0204	-0.0204	-0.0204
General Fund Revenue Reduction	-\$51,686,746	-\$54,192,784	-\$55,547,609	-\$57,325,122

Fiscal Impact:	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
Department of Revenue				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	(\$51,686,746)	(\$54,192,784)	(\$55,547,609)	(\$57,325,122)
TOTAL Revenues	(\$51,686,746)	(\$54,192,784)	(\$55,547,609)	(\$57,325,122)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$51,686,746)	(\$54,192,784)	(\$55,547,609)	(\$57,325,122)

Effect on County or Other Local Revenues or Expenditures:

1. Local tax increment financing (TIF) districts would see a reduction in their revenue collections under this bill as the state equalization levy they retain would be reduced. Using the incremental taxable value in these districts presented in assumption 5, the reduction is estimated to be between \$900,000 and \$1,000,000 per year. The calculation of this local government jurisdiction revenue reduction is presented in the following table:

Revenue Reduction in Tax Increment Financing (TIF) Districts under HB 230 as Introduced- Revised for SJ2				
	FY 2014	FY 2015	FY 2016	FY 2017
Estimate of Incremental Taxable Value in TIF Districts	47,037,000	45,359,000	46,856,000	48,683,000
Mill Reduction (20.4 mills) under HB 230 as Introduced	-0.0204	-0.0204	-0.0204	-0.0204
TIF District Revenue Reduction	-\$959,555	-\$925,324	-\$955,862	-\$993,133

Sponsor's Initials

Date

Budget Director's Initials

Date