



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill # SB0280

Title: Allow mediation for dispute of property valuation

Primary Sponsor: Thomas, Fred

Status: As Introduced-Revised

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" 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</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>
Expenditures:				
General Fund	\$67,340	\$164,398	\$74,165	\$74,353
Revenue:				
General Fund	\$1,500	\$17,400	\$3,700	\$3,500
Net Impact-General Fund Balance:	<u>(\$65,840)</u>	<u>(\$146,998)</u>	<u>(\$70,465)</u>	<u>(\$70,853)</u>

Description of fiscal impact: This bill would allow owners of property to enter into mediation with the Department of Revenue. The mediation is non-binding and the cost must be split between the taxpayer and the Department of Revenue. The taxpayer must pay a \$100 fee for a request for mediation. SB 280 is expected to raise \$18,900 in fee revenue for the biennium and cost \$224,017 for the biennium.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

1. SB 280 provides owners of centrally assessed and annually assessed industrial properties with the right to a mediation hearing with the Department of Revenue within 30 days of the department making a final determination of value. Owners of all other property have the right to mediation 30 days after a decision by the county tax appeal board.
2. A taxpayer requesting mediation must pay a fee of \$100 to the department that is to be deposited to the general fund.
3. The cost of mediation will be split evenly between the department and the property owner.
4. For the purposes of this fiscal note, it is assumed that mediation will cost both parties \$200 per hour.

5. The department assumes that there will be 15 mediations annually with owners of centrally assessed property or annually assessed industrial property that will last 8 hours each. The department assumes that for owners of property not assessed annually, there will be 0 mediations in FY 2014, 159 mediations in FY 2015, 22 mediations in FY 2016, and 20 mediations in FY 2017. These mediation hearings are expected to last 4 hours each.
6. Using the mediation count from assumption 5, the mediation fee collected by the Department of Revenue will be \$1,500 in FY 2014 and \$17,400 in FY 2015. Table 1 displays the estimated mediation fee collection for the estimated fiscal impact period.

	Number of Mediations	Fee Amount	Total Fee Collected
FY 2014	15	\$100	\$1,500
FY 2015	174	\$100	\$17,400
FY 2016	37	\$100	\$3,700
FY 2017	35	\$100	\$3,500

7. The estimated cost of mediations for FY 2014 is \$12,000, \$75,600 in FY 2015, and falling to \$20,800 in FY 2016 and \$20,000 in FY 2017. Table 2 displays the methodology used to arrive at these cost assumptions.

	Number of Mediations	Hours per Mediation	Hourly Cost	Total Cost	Costs Paid by DOR
Fiscal Year 2014					
Annually Assessed Property	15	8	\$200	\$24,000	\$12,000
All Other Property	-	4	\$200	\$0	\$0
<i>Total</i>	<i>15</i>	<i>-</i>	<i>\$200</i>	<i>\$24,000</i>	<i>\$12,000</i>
Fiscal Year 2015					
Annually Assessed Property	15	8	\$200	\$24,000	\$12,000
All Other Property	159	4	\$200	\$127,200	\$63,600
<i>Total</i>	<i>174</i>	<i>-</i>	<i>\$200</i>	<i>\$151,200</i>	<i>\$75,600</i>
Fiscal Year 2016					
Annually Assessed Property	15	8	\$200	\$24,000	\$12,000
All Other Property	22	4	\$200	\$17,600	\$8,800
<i>Total</i>	<i>37</i>	<i>-</i>	<i>\$200</i>	<i>\$41,600</i>	<i>\$20,800</i>
Fiscal Year 2017					
Annually Assessed Property	15	8	\$200	\$24,000	\$12,000
All Other Property	20	4	\$200	\$16,000	\$8,000
<i>Total</i>	<i>35</i>	<i>-</i>	<i>\$200</i>	<i>\$40,000</i>	<i>\$20,000</i>

8. The department will require 0.50 FTE in FY 2014, 1.00 FTE in FY 2015, 0.50 FTE in FY 2016, and 0.50 FTE in FY 2017, which will cost \$55,340 in FY 2014 and \$81,077 in FY 2015. The FTE will be required to prepare for each mediation hearing and to represent the department’s position during the mediation hearing. More FTE are required in FY 2014 and FY 2015 because it is expected that there will be more hearings in the first two years of the six year reappraisal cycle.

	<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>
<u>Fiscal Impact:</u>				
FTE	0.50	1.00	0.50	0.50
<u>Expenditures:</u>				
Personal Services	\$45,424	\$71,910	\$46,288	\$47,171
Operating Expenses	\$21,916	\$92,488	\$27,877	\$27,182
TOTAL Expenditures	<u>\$67,340</u>	<u>\$164,398</u>	<u>\$74,165</u>	<u>\$74,353</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$67,340	\$164,398	\$74,165	\$74,353
TOTAL Funding of Exp.	<u>\$67,340</u>	<u>\$164,398</u>	<u>\$74,165</u>	<u>\$74,353</u>
<u>Revenues:</u>				
General Fund (01)	\$1,500	\$17,400	\$3,700	\$3,500
TOTAL Revenues	<u>\$1,500</u>	<u>\$17,400</u>	<u>\$3,700</u>	<u>\$3,500</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$65,840)	(\$146,998)	(\$70,465)	(\$70,853)

Technical Notes:

1. Section 9 amends 15-23-102 MCA, to allow centrally assessed taxpayers to appeal the department’s valuation decision to the county tax appeal board. Centrally assessed property is typically located in multiple counties. This amendment appears to allow a centrally assessed taxpayer to appeal in any or all of the counties where they have property located.
2. The provisions of SB 280 apply to net proceeds of mines and gross proceeds of coal mines. Because these mines are defined as centrally assessed properties.

Sponsor’s Initials

Date

Budget Director’s Initials

Date