



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill # HB0213

Title: Revise business equipment tax laws

Primary Sponsor: Miller, Mike

Status: As Introduced

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" 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 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$309,662	\$468,035	\$463,307	\$477,830
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$1,257,996)	(\$2,100,239)	(\$2,192,999)	(\$2,290,034)
State Special Revenue	(\$78,814)	(\$131,580)	(\$137,392)	(\$143,471)
Net Impact-General Fund Balance:	<u>(\$1,567,658)</u>	<u>(\$2,568,274)</u>	<u>(\$2,656,306)</u>	<u>(\$2,767,864)</u>

Description of fiscal impact: HB 213 reduces the taxable value on class 8 property by increasing the exemption amount from \$100,000 to \$500,000. This is estimated to reduce state property tax collections by \$1.337 million in FY 2016, \$2.232 million in FY 2017, \$2.330 million in FY 2018, and \$2.434 million in FY 2019 and cost the general fund \$0.8 million for additional guaranteed tax base (GTB).

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. Current law taxes class 8 property as follows: the first \$100,000 in market value of a person or business is exempt, the next \$6 million in market value is taxed at 1.5%, and any market value over \$6.1 million is taxed at 3%. HB 213 increases the exemption from \$100,000 to \$500,000.
2. The estimated reduction in taxable value is shown in the table below. Because HB 213 applies to property tax years beginning January 1, 2016, not lien-to-real property (strict personal property) is affected in FY

2016. This causes a reduction in taxable value of approximately 8.7%. All class 8 property will be affected beginning FY 2017. This causes a further reduction of approximately 5.6% for a total reduction of the class (before compounding) of 13.85%. Estimates are based on property tax data from TY 2014 and growth rates from HJ 2 and the Office of Budget and Program Planning.

Reduction in Class 8 Property Taxable Value		
	<u>Strict Personal Property</u>	<u>All Personal Property</u>
FY 16	\$13,135,600	-
FY 17	-	\$21,930,031
FY 18	-	\$22,898,600
FY 19	-	\$23,911,805

3. The class 12 tax rate is affected by any change to the class 8 tax rate. However, this is assumed to be small and is not included in this estimate.
4. Applying a the class 8 weighted average mill rate of 95.77 mills, the estimated reduction in revenue to the state general fund is \$1,257,996 in FY 2016, \$2,100,239 in FY 2017, \$2,192,999 in FY 2018, and \$2,290,034 in FY 2019.
5. This bill also reduces revenue from the university 6 mill levy. This is estimated to decrease revenue to the state special revenue fund by \$78,814 in FY 2016, \$131,580 in FY 2017, \$137,392 in FY 2018, and \$143,471 in FY 2019.

Office of Public Instruction

6. Due to the change in property tax values in this bill, there would be a GTB aid cost to the state general fund.

<u>Fiscal Impact:</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Office of Public Instruction				
<u>Expenditures:</u>				
Local Assistance (GTB)	\$309,662	\$468,035	\$463,307	\$477,830
TOTAL Expenditures	\$309,662	\$468,035	\$463,307	\$477,830
<u>Funding of Expenditures:</u>				
General Fund (01)	\$309,662	\$468,035	\$463,307	\$477,830
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$309,662	\$468,035	\$463,307	\$477,830
Department of Revenue				
<u>Expenditures:</u>				
Other	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	(\$1,257,996)	(\$2,100,239)	(\$2,192,999)	(\$2,290,034)
State Special Revenue (02)	(\$78,814)	(\$131,580)	(\$137,392)	(\$143,471)
TOTAL Revenues	(\$1,336,810)	(\$2,231,819)	(\$2,330,391)	(\$2,433,505)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,567,658)	(\$2,568,274)	(\$2,656,306)	(\$2,767,864)
State Special Revenue (02)	(\$78,814)	(\$131,580)	(\$137,392)	(\$143,471)

Effect on County or Other Local Revenues or Expenditures:

1. The reduction in taxable value changes mill rates set by local governments and schools. To the extent that local governments (under the provisions of 15-10-420, MCA,) and schools (under the school funding provisions of Title 20) are able to adjust mills to account for the loss in taxable value, these taxes will shift to other payers.
2. Weighted average local mills for class 8 property in TY 2014 are 434.72. Of this, 216.46 mills are levied for local government and 218.27 are levied for schools. Applying these mill rates, schools, and local governments could shift \$4.8 million in school levies and \$4.8 million in local government levies in FY 2017 to all other property tax payers in each school district.

Sponsor's Initials

Date

Budget Director's Initials

Date