

# FISCAL NOTE

**Bill #:** SB3

**Title:** Circuit breaker for Property Taxes

**Primary**

**Sponsor:** Doherty S.

**Status:** As Introduced

---

Sponsor signature	Date	Dave Lewis, Budget Director	Date
-------------------	------	-----------------------------	------

---

## Fiscal Summary

	<u>FY2001 Difference</u>	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<b>Expenditures:</b>			
General Fund		\$60,000	\$235,000
<b>Revenue:</b>			
General Fund	(\$7,953,021)	(\$8,506,739)	(\$8,730,690)
State Special Revenue		(\$21,303)	(\$22,028)
<b>Net Impact on General Fund Balance:</b>	(\$7,953,021)	(\$8,566,739)	(\$8,965,690)

---

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

---

## Fiscal Analysis

### ASSUMPTIONS:

1. The homeowner/renter credit is effective beginning with tax year 2000 the low income property tax assistance is effective in 2001.
2. Based on 1990 Census Bureau data, a total of 67,038 households are eligible for the current law low-income abatement program. Under SB3 it is estimated that a total of 99,474 households would be eligible for the program.
2. Under current law, there are 11,005 applicants receiving the low-income property tax abatement (utilization rate of 16%), with average tax savings of \$250, for a total property tax revenue reduction of \$2,751,250.
3. Under SB3, it is estimated that 16,330 applicants would receive the low-income property tax abatement (utilization rate of 16%), with an average tax savings of \$250, for a total property tax revenue reduction of \$4,082,429 (TY 1997). This results in a property tax reduction of \$1,331,179 (TY1997) due to SB92.

Fiscal Note Request, SB003, Introduced

Page 2

(continued)

4. Adjusted by the estimated population growth rate (3.4%), results in estimated property tax reductions of \$1,521,663 in FY02 and \$1,573,400 in FY03.
5. The property tax revenue reduction is distributed; 1.4% to 6 mill university levy, 22.8% to the 95 mill school equalization levy, and 22.8% to county levies, 42.9% to school district levies and 12.6% to cities and town levies.
6. It is estimated that the proposal will result in an increase in the total for the homeowner/renter credit of \$7,953,021 in FY01, \$8,159,800 in FY02 and \$8,371,954 in FY03 above current law.
7. The reduction in taxable values will cause school districts to increase GTB levies in FY2002 to maintain minimum budgets required under section 20-9-308(1)(a), MCA,(see technical note 4). The higher levies will increase the amount of state GTB aid by \$60,000 if FY2002 and \$235,000 in FY2003. In subsequent years the statewide GTB will be adjusted resulting in insignificant changes in state GTB aid.

FISCAL IMPACT:

	<u>FY2001</u> <u>Difference</u>	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>			
Local Assistance – School GTB		60,000	235,000
<u>Funding:</u>			
General Fund (01)		60,000	235,000
<u>Revenues:</u>			
General Fund (01)	(\$7,953,021)	(\$8,506,739)	(\$8,730,690)
State Special Revenue (02)		(\$21,303)	(\$22,028)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	(\$7,953,021)	(\$8,566,739)	(\$8,965,690)
State Special Revenue (02)		(\$21,303)	(\$22,028)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

It is estimated that the property tax revenues for local governments would be reduced by \$1,153,421 in FY02 and \$1,192,634 in FY03.

The reduction in property tax value resulting from this bill will cause some school districts which budget at the BASE level, the minimum required under section 20-9-308 (1)(a), MCA, to increase taxes to maintain the minimum budget

LONG-RANGE IMPACTS:

It is estimated that property and income tax revenue for the general fund will be reduced by over \$8.96 million in FY04 and grow approximately 3% per year in each following fiscal year. It is estimated that the property tax revenue for local governments will be reduced by \$1.2 million in FY04 and in each following fiscal year.