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# Legislative Fiscal Division

## Revenue Estimate Profile

### Property Tax: 55 Mill

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#### Statutory Reference:

Tax Rate (MCA) – 20-9-331(1), 20-9-333(1)

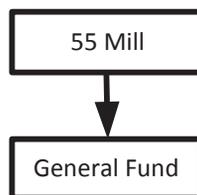
Tax Distribution (MCA) – 20-9-331(1), 20-9-333(1)

Date Due – one-half of taxes due November 30<sup>th</sup> and one-half due May 31<sup>st</sup> (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

**Applicable Tax Rate(s):** Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every \$1,000 in taxable value, 55 mills generate \$55 in state property taxes.

**Distribution:** All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

#### Distribution Chart:



#### Summary of Legislative Action:

Senate Bill 96 – Previous law (SB 372 in the 2011 session) provided a tax rate of 2% for class 8 equipment valued at \$2 million or less, and a tax rate of 3% for all taxable market value in excess of \$3 million owned by a taxpayer. If combined income taxes and corporate taxes collected in fiscal year 2013 exceed collections in fiscal year 2012 by 4% or more, then starting January 1, 2014 class eight business equipment would have been taxed at a tax rate of 1.5% on the first \$3 million of taxable market value and 3% for all taxable market value in excess of \$3 million owned by a taxpayer. Previous law also exempted the first \$20,000 in market value for owners with less than \$20,000 in property, but not for owners with equipment valued at more than \$20,000.

Starting January 1, 2014, SB96 reduces the taxes assessed on class eight business equipment by 1) providing a tax rate of 1.5% on the first \$6 million of taxable market value and 3% for all taxable market value in excess of \$6 million, and 2) exempts the first \$100,000 in market value of this property owned by a taxpayer. The exemption is available for all owners of class 8 business equipment tax.

Reimbursements are provided to the university system, local governments, local schools, and TIFs from the general fund for reductions in property tax revenue due to SB 96, as amended.

Senate Bill 96 reduces revenue to the general fund (95 mills and the 1.5 mills) by \$1.331 million in FY 2014 and by \$2.245 million in FY 2015. The impact in FY 2014 is because owners of strictly personal property (i.e. property not-liened-to-real) will see their taxes reduced in May 2014. University 6 mill revenue will be reduced by \$83,341 in FY 2014 and by \$140,573 in FY 2015. Reimbursements for lost revenue will be made to local governments, school districts, the county retirement fund, the countywide school transportation reimbursement, each tax increment financing district, and the 6-mill levy for support of the Montana university system in TY 2014 and 2015.

Reimbursements will total \$17.883 million for the 2015 biennium. Reimbursements to county and city governments, TIF's will be statutorily appropriated. The reimbursement for the 6 mill account will be transferred to that account. The total of these reimbursements will be \$9.951 million for the biennium. SB96 increases the appropriation for school district and county education block grants in HB 2 for FY 2015 by \$7.932 million. In addition there will be guaranteed tax base savings of \$3.054 million, and SB 96 reduces the appropriation for Base Aid in HB 2 for FY 2015 by the same amount. The net cost of SB 96 is \$18.5 million over the 2015 biennium.

Senate Bill 231 - SB 231 increases the amount of park and recreation area land that may be exempted from property tax, by a federally recognized Indian tribe, increasing the statutory 15 acre limit to 640 acres. This bill would reduce revenue to the general fund by \$2,960 in FY 2014 and by \$2,962 in FY 2015. The 6-mill account will receive less revenue of around \$187 in each year of the 2015 biennium.

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Property Tax: 55 Mill – Legislation Passed by 63rd Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2013	FY 2014	FY 2015
SB0096 Lower the business and equipment tax	\$0.000	(\$0.764)	(\$1.289)
SB0231 Revise tax exemption laws regarding tribal recreational property	0.000	(0.002)	(0.002)
<b>Total General Fund Impact</b>	<b>\$0.000</b>	<b>(\$0.766)</b>	<b>(\$1.290)</b>

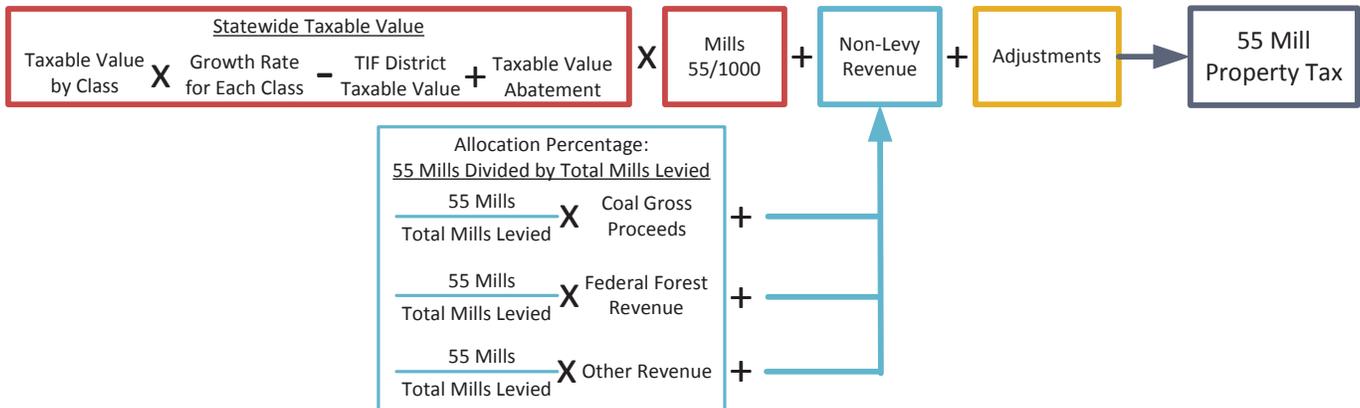
**Collection Frequency:** Monthly with significant state deposits in December and June.

**% of Total General Fund Revenue:**

FY 2004 – 7.54 %	FY 2007 – 6.37%	FY 2010 – 8.25%
FY 2005 – 6.69%	FY 2008 – 6.83%	FY 2011 – 7.65%
FY 2006 – 6.29%	FY 2009 – 7.19%	FY 2012 – 7.47%

**Revenue Estimate Methodology:** The methodology used to derive revenue from this source is explained in the methodology section under “Property Tax.”

**Forecast Methodology:**



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#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in Senate Joint Resolution 2. It does not reflect changes, if any, enacted by the 2013 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax. Value</u>	<u>Mills/1000</u>	<u>Non-Levy</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Applied</u>	<u>Millions</u>	<u>Millions</u>
Actual	2002	105.376	105.376	1,671.590	0.055	13.809	0.000
Actual	2003	106.029	106.029	1,691.720	0.055	11.424	0.000
Actual	2004	104.224	104.224	1,703.301	0.055	12.701	0.000
Actual	2005	104.184	102.416	1,756.251	0.055	0.000	0.000
Actual	2006	108.949	107.495	1,836.488	0.055	0.000	0.000
Actual	2007	115.230	113.285	1,940.709	0.055	0.000	0.000
Actual	2008	121.355	121.432	2,041.767	0.055	0.000	0.000
Actual	2009	129.080	129.949	2,117.330	0.055	13.051	0.000
Actual	2010	135.277	134.249	2,226.295	0.055	12.938	-2.148
Actual	2011	137.021	136.447	2,283.076	0.055	12.309	0.000
Actual	2012	140.144	139.813	2,370.852	0.055	13.027	0.000
Forecast	2013	145.901	144.590	2,422.804	0.055	12.647	0.000
Forecast	2014	147.137	145.826	2,512.787	0.055	8.934	0.000
Forecast	2015	152.068	150.757	2,589.610	0.055	9.639	0.000

	<u>t</u>	<u>Class 1</u>	<u>Class 2</u>	<u>Class 3</u>	<u>Class 4</u>	<u>Class 5</u>	<u>Class 6</u>	<u>Class 7</u>
	<u>Fiscal</u>	<u>Millions</u>						
Actual	2002	7.843	11.015	139.057	954.102	35.668	12.459	0.189
Actual	2003	8.691	10.669	138.900	1,002.874	35.382	6.167	0.216
Actual	2004	7.808	8.800	140.240	1,034.656	32.725	0.000	0.995
Actual	2005	8.032	10.428	139.902	1,076.985	34.024	0.000	0.974
Actual	2006	2.694	13.045	140.988	1,129.794	34.611	0.000	0.953
Actual	2007	3.252	21.106	141.002	1,183.821	35.078	0.000	1.068
Actual	2008	3.840	18.849	141.329	1,244.916	35.418	0.000	1.096
Actual	2009	4.013	24.540	142.099	1,296.595	35.155	0.000	1.214
Actual	2010	4.002	23.837	161.073	1,368.081	37.502	0.000	1.266
Actual	2011	3.181	18.291	153.566	1,396.074	38.994	0.000	1.298
Actual	2012	3.888	22.987	150.429	1,418.797	40.642	0.000	1.194
Forecast	2013	4.189	31.132	147.792	1,446.304	45.673	0.000	1.170
Forecast	2014	4.276	33.820	145.202	1,478.146	48.816	0.000	1.147
Forecast	2015	4.337	35.056	142.657	1,511.683	52.176	0.000	1.124

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	<u>t</u>	<u>Class 8</u>	<u>Class 9</u>	<u>Class 10</u>	<u>Class 12</u>	<u>Class 13</u>	<u>TIF's</u>	<u>Abatement</u>
	<u>Fiscal</u>	<u>Millions</u>						
Actual	2002	116.605	219.956	8.199	48.658	144.488	30.530	3.880
Actual	2003	118.349	206.360	7.170	46.688	137.185	30.803	3.870
Actual	2004	118.297	212.111	6.789	45.630	125.623	33.562	3.188
Actual	2005	117.241	219.993	6.791	45.074	120.485	27.767	4.088
Actual	2006	123.055	238.767	6.794	44.267	122.846	25.464	4.137
Actual	2007	135.613	248.320	6.816	41.577	130.476	28.830	18.855
Actual	2008	138.658	264.324	6.822	43.004	152.942	30.120	18.099
Actual	2009	151.317	260.190	6.816	43.567	154.611	25.752	20.021
Actual	2010	169.606	254.253	6.988	46.901	154.314	32.014	23.706
Actual	2011	182.310	280.633	6.519	51.836	174.430	41.946	27.058
Actual	2012	186.854	304.226	6.390	71.336	193.267	46.300	25.369
Forecast	2013	179.237	322.490	6.349	72.349	197.605	47.037	20.225
Forecast	2014	180.358	345.727	6.308	76.657	208.267	47.037	20.877
Forecast	2015	179.206	370.637	6.268	81.222	219.505	45.359	21.539

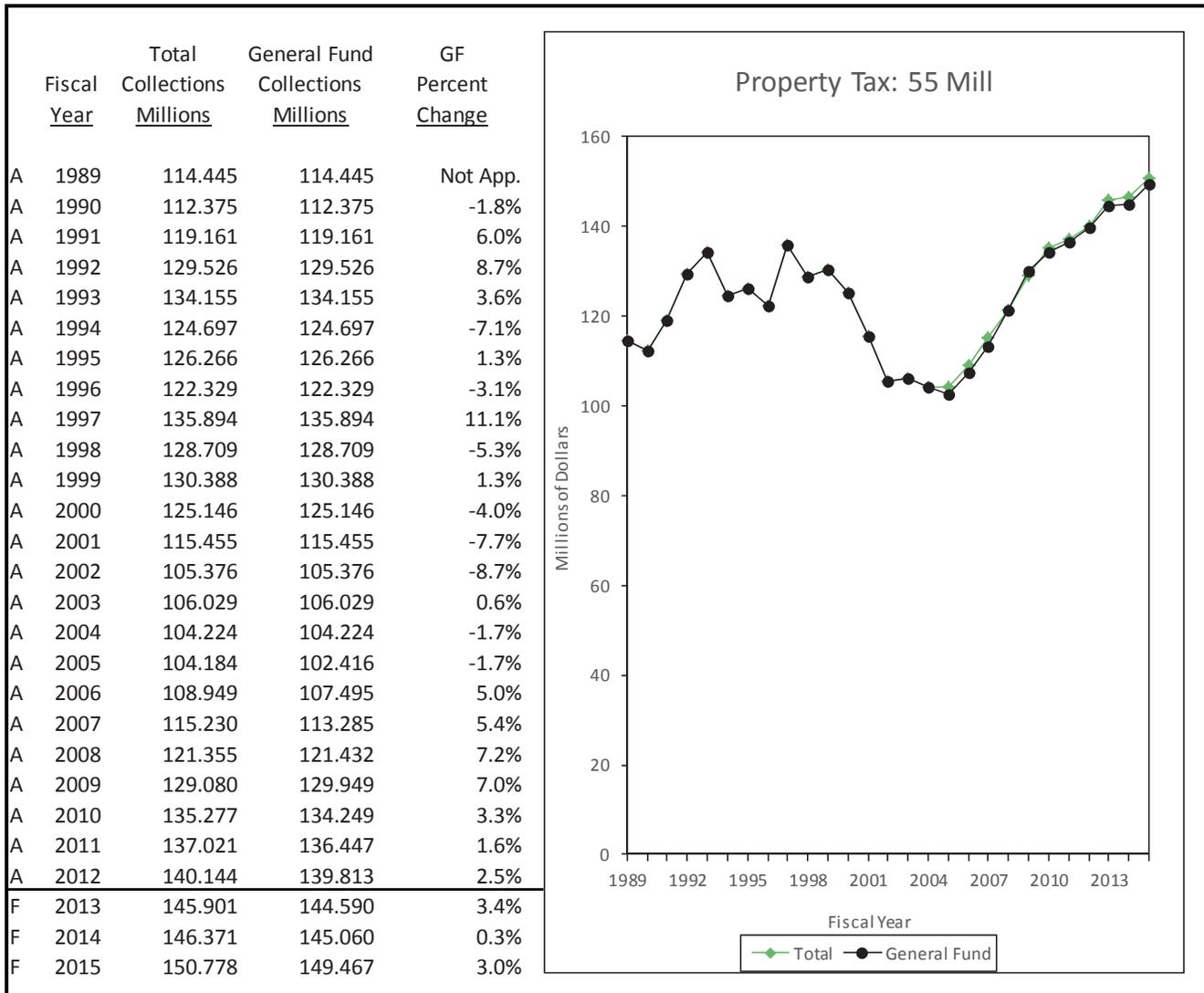
Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

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#### Revenue Projection:



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# Legislative Fiscal Division

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**Non Levy Revenue** includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes, financial institution taxes, and reimbursements from the state were non-levy revenue. Before January 1, 2003, oil and natural gas receipts were treated as non-levy revenue. The mills to which non levy revenue is distributed are unique for each county and each non levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax. For example, statewide 40 mill revenue includes a property tax portion and a non-levy portion. A description of each individual source follows below.

#### **Federal Forest Receipts**

**Revenue Description:** Federal forest receipts are payments from the federal government in lieu of revenues from the sale of forest products of federal land. The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. The state sends the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

**Applicable Tax Rate(s):** N/A

**Distribution:** The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the road fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year: county equalization accounts (55 mills), county transportation account, county retirement accounts

**Collection Frequency:** Twice annually (usually October and December).

#### **Applicable Assumptions and/or Relevant Indicators:**

Federal Forest Timber Prices  
Federal Board Feet Harvested  
Mill Levies for County Transportation and Retirement Accounts

**Data Source(s):** U.S. Forest Service survey, SABHRS

#### **Statutory References:**

Tax Rate – NA  
Distribution (MCA) – 17-3-211, 17-3-212  
Date Due - the state treasurer distributes the funds within 30 days after receiving full payment

**% of Total General Fund Revenue:** Included in total property tax contribution.

**Revenue Estimate Methodology:** See Federal Forest Receipts in the Natural Resources section.

#### **Coal Gross Proceeds Tax**

**Revenue Description:** The state imposes a gross proceeds tax of 5% on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. The tax on the gross proceeds for coal is estimated in conjunction with the coal severance tax. Of the total gross proceeds revenue, a state share is distributed to the elementary and high school county equalization levies as they existed in FY 1990. In FY 1990, the elementary and high school county equalization levy was a combined 45 mills. For some of mines, 45 mills was as much as 49 percent of the consolidated mills of all jurisdictions, and for some other mines the 45 mills was as little as 20 percent of the consolidated mills for all jurisdictions. The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments in the following fiscal year. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

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**Applicable Tax Rate(s):** The amount of tax due is 5% of the value of production as measured by the contract sales price for production in the preceding calendar year. There are some exceptions, such as new underground mines which are taxed at 2.5% for the first 10 years, as well as certain county-granted tax abatements.

**Distribution:** The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in fiscal year 1990. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the same fashion as property taxes were distributed in the previous fiscal year.

**Collection Frequency:** The coal gross proceeds tax is collected twice annually in November and May. The state receives the tax revenue in December and June.

**Applicable Assumptions and/or Relevant Indicators:**

Montana Coal Production  
Montana Contract Sales Price  
Statewide Average Mill Ratios

**Data Source(s):** Coal Company Surveys, Department of Revenue, County Treasurers

**Statutory References:**

Tax Rate (MCA) – 15-23-703(1)  
Tax Distribution (MCA) – 15-23-703(3)

**% of Total General Fund Revenue:** Included in total property tax contribution.

**Revenue Estimate Methodology:** The major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. The taxable value is then computed for each company by taking anticipated production, and multiplying that number by the contract sales price. Taxable value is then multiplied by the applicable tax rate to determine tax revenue. The final step involves applying the mill ratio for the state county equalization levy to the average statewide levy for FY 1990 for the counties in which mines are located.

**Other Revenue**

**Revenue Description:** The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

**Applicable Tax Rate(s):** N/A

**Distribution:** Varies

**Collection Frequency:** Varies

**Applicable Assumptions and/or Relevant Indicators:** Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections.

**Data Source(s):** County Collection Reports

**Statutory References:** Various

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**% of Total General Fund Revenue:** Included in total property tax contribution.

**Revenue Estimate Methodology:** Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections. Data for the last known year are obtained from data provided to the Office of Public Instruction by the county treasurers.