Property Taxes

Property Tax
55 Mill Property Tax
40 Mill Property Tax
6 Mill Property Tax
1.5 Mill Property Tax

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Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Revenue Description: Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills, and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. The last reappraisal cycle took effect January 1, 2003 and the next reappraisal will take effect January 1, 2009.

Beginning January 1, 2009, residential and commercial property as well as agricultural land and timberland reflect the impact of a new reappraisal on market values. The current reappraisal cycle is 6 years, during which increases in property values will be phased in by 1/6th per year. Property that declines in value will be assessed immediately at its new reappraised value. The impact of the 2009 reappraisal on assessed values increased the market value of the average residence by 55.1 percent. The equivalent increases for commercial property were 34.5 percent, for agricultural land by 26.8 percent, and for timberland by 51.7 percent.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The 2009 Legislature passed a reappraisal mitigation bill – HB 658. Beginning in tax year 2009, reappraisal values will be phased in over the next six years. The new tax rates and the new homestead and comstead exemptions are shown in the accompanying table. In addition to mitigation through lower tax rates and higher exemptions, HB 658 also: 1) created an upper limit of $1.5 million in market value of residences for which the homestead exemption is available, 2) increased the irrigation costs in valuing irrigated agricultural land, and 3 increased the capitalization rate used to value timberland. In addition the Department of Revenue will report to the Revenue and Transportation Interim committee before the next legislative session on a sales- assessment ratio study it will conduct in the interim. HB 658 also changed MCA 15-10-420 so that each state mill would be reduced and rounded up to the nearest tenth of a mill if the growth in taxable value exclusive of new property exceeds one-half the rate of inflation. Newly taxable property was also redefined as current year value less prior year value.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

This source also includes the state’s share of protested taxes paid by centrally assessed companies. Should the state fail in it defense of the taxation of these companies, the protested taxes must be returned to the taxpayer.

Homeowners whose homesteads have increased above certain thresholds and whose income falls below certain levels will face lower tax rates. These programs are known as taxpayer assistance programs.

Summary of Legislative Action:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 95-mill property tax is reduced $58,623 in FY 2010 and $61,537 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 588 – The legislation retains present law relative distributions of coal gross proceeds between the state and coal producing counties, but counties now remit the present law state share of coal gross proceeds revenue directly to the state. The state special revenue coal gross proceeds redistribution account is eliminated along with the calculation of coal gross proceeds county redistributions and the statutory appropriation for the redistribution transfers. State special revenue to the state is reduced $461,295 in FY 2010,

$514,289 in FY 2011, and $807,000 in future years. Transfers to counties are reduced by like amounts. The legislation is effective July 1, 2009 and applies retroactively to coal produced and sold after December 31, 2007.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	Full Assessed or Market Value			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 95 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $3,320,276 in FY 2011 and $2,757,915 in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $1,789 in FY 2010 and $1,789 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 280 – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $23,338 in FY 2010 and $24,498 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

Senate Bill 465 – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $89,816 in FY 2010 and $44,908 in FY 2011 and beyond. The legislation is effective on passage and approval is retroactive to tax year 2008.

Senate Bill 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $3,607,991 in FY 2010 and $3,813,647 in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 509 – Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation is effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – The legislation allows a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement." The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009 and applies to tax years beginning after December 31, 2009.

Revenue Estimate Methodology:

Data

The property tax received by the state is composed of two kinds of revenue. First there is property tax proper, i.e. each property has a taxable value which is multiplied by a mill levy (a tax rate per thousand dollars of taxable value) set by the government, in this case the state. The second kind of revenue is "nonlevy" revenue that is distributed to the mill levy and is included as property tax revenue.

The state imposes five types of mill levies. These are the 33-mill elementary county equalization levy, the 22-mill high school county equalization levy, the 40-mill state equalization levy, the 6-mill university levy, and the 1.5-mill vocational technical college (vo-tech) levy. The first three (most often called the 95 mills for education) are applied to all property in the state and are deposited in the general fund. The 6-mill levy is applied to all property in the state and is deposited in a special account for university operations. The 1.5-mill levy is applied to all property in the counties in which the five vo-tech colleges are located, i.e. Butte-Silver Bow, Cascade, Yellowstone, Missoula, and Lewis and Clark.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

The data required to produce forecasts of property tax received by the state are historical data on assessed and taxable value by class of property, the amount of property in tax increment financing (TIF) districts, the amount of local abatements conferred by local governments, and future growth rates for these variables. Also required is historical and future data on the nonlevy components of property tax. These are gross proceeds revenue, federal forest revenue, and miscellaneous revenue allocated to the various state mill levies. The latest taxable value data is for tax year 2008 which began January 1, 2008, and the latest data for the nonlevy revenue is fiscal 2008.

The historical data on assessed and taxable value by property tax class, TIF taxable value, and abated taxable value are provided to the LFD and OBPP by the Department of Revenue on an annual basis, usually in October. TIF taxable value is required because state law allows a TIF district to apply the state 95 mills and 1.5 vo-tech mills to the increment in property value that occurred since the TIF was created, but allows the TIF district to keep the revenue associated with these mill levies. The state does not receive its share of the mill levies applied to incremental TIF property. Thus the taxable value of the state must be adjusted downward by the value of TIF property for the 95 mills and the 1.5-mill levy. The 6-mill levy revenue derived from incremental TIF property does flow to the special account for university operations, and thus the tax base for the 6-mill levy is not adjusted for the incremental taxable value in a TIF.

Montana law allows local governments (usually counties) to temporarily reduce the tax rate applied to the assessed value of property. This is called abated property. For instance, in tax year 2006, an electrical generation plant outside Hardin and another in Silver Bow County were granted a 10 year exemption on all personal and real estate property. The abatement applies to all local mills for those jurisdictions in which the properties are located. However, the exemption from property taxes does not apply to state mills. The taxable value data received by the department does not include the exempted property and thus for state property tax revenue purposes this property must be added back to the statewide taxable value.

Analysis

The latest year for which taxable value by class is available is the base from which future taxable values are derived. Growth rates are applied to the taxable value in each class of property. The table below shows growth rates for each class of property, for TIF and abated values and the resulting growth rates in net taxable value.

Statewide Taxable Values by Class

	Taxable Value (Millions)			Growth Rates		
			Fiscal Year			
Class of Property	2009	2010	2011	2009	2010	2011
Net Proceeds	$ 4.01	$ 4.01	4.01	4.5%	0.0%	0.0%
Gross Proceeds	24.54	56.31	25.21	30.2%	129.5%	-55.2%
Agricultural Land	142.10	142.10	142.10	0.5%	0.0%	0.0%
Residential and Commercial Real Estate	1,296.59	1,341.98	1,388.94	4.2%	3.5%	3.5%
Rural Coops and Pollution Control	35.15	35.86	36.57	-0.7%	2.0%	2.0%
Non-Centrally Assessed Public Utilities	1.21	1.24	1.27	10.8%	2.4%	2.4%
Business Equipment	151.32	158.84	166.73	9.1%	5.0%	5.0%
Centrally Assessed Public Utilities	260.19	274.91	290.45	-1.6%	5.7%	5.7%
Timberland	6.82	6.82	6.82	-0.1%	0.0%	0.0%
Railroad and Airline Property	43.57	43.62	43.52	1.3%	0.1%	-0.2%
Electrical Generating and Telecommunications	154.61	162.41	170.60	1.1%	5.0%	5.0%
Electrical Generation by Wind	2.94	3.18	3.43	13.7%	8.0%	8.0%
C02/Qualifying Liquid Pipeline	-	-	-	NA	NA	NA
High Voltage DC Converter	-	-	-	NA	NA	NA
Total Taxable Value	2,123.06	2,231.26	2,279.66	3.0%	5.1%	2.2%
Tax Increment Financing Values	(25.75)	(24.82)	(24.74)	-14.5%	-3.6%	-0.3%
Abatement Values	20.02	20.02	20.02	10.6%	0.0%	0.0%
Net Taxable Value	2,117.33	2,226.46	2,274.94	3.7%	5.2%	2.2%
Net Vo-tech Value	743.92	774.68	798.99	4.9%	4.1%	3.1%
Net 6 mill Taxable Value	2,143.08	2,251.28	2,299.68	3.1%	5.0%	2.1%

Fiscal 2009 taxable values are tax year 2008 taxable values. The property was valued on January 1, 2008, and the revenue from these values is deposited in state coffers in November and May of the following fiscal year. Fiscal 2009 values are known, although preliminary.

For the most part, growth rates are based on historical growth since fiscal 2001 and on expected changes in tax rates in fiscal 2010 and 2011.

The growth rate for class 4 – residential and commercial real estate – is an estimate of the amount of new property expected to be added but does not contain an estimate of the effects of the new reappraisal for fiscal years 2010 and 2011. The amount of new class 4 property is assumed to be 3.5 percent, the average since 2000. The increase in the market value of class 4 property as a result of reappraisal is not yet known although the Department of Revenue has provided very preliminary estimates. In approving the forecast for property tax, the Revenue and Transportation Interim Committee on November 18th declined to recognize the preliminary estimated impacts of reappraisal on agricultural land, timberland, and residential and commercial real property.

Almost all classes of property will experience constant tax rates through 2011. An exception is railroad and airline property. Under the federal 4R act, the tax rate on railroads and airlines is a weighted average of the tax rates of all commercial and industrial property in the state. This includes business equipment, centrally assessed property and commercial real estate.

Tax Rates and Exemptions By Property Tax Class

	Tax Rates Fiscal Year		
Class of Property	2009	2010	2011
Net Proceeds	100.00%	100.00%	100.00%
Gross Proceeds	3.00%	3.00%	3.00%
Agricultural Land	3.01%	3.01%	3.01%
Residential & Commercial Real Estate	3.01%	3.01%	3.01%
Rural Coops and Pollution Control	3.00%	3.00%	3.00%
Non-Centrally Assessed Public Utilities	3.00%	3.00%	3.00%
Business Equipment	3.00%	3.00%	3.00%
Centrally Assessed Public Utilities	12.00%	12.00%	12.00%
Timberland	0.35%	0.35%	0.35%
Railroad and Airline Property	3.44%	3.42%	3.40%
Electrical Generating and Telecommunications	6.00%	6.00%	6.00%
Electrical Generation by Wind	3.00%	3.00%	3.00%
C02/Qualifying Liquid Pipeline	3.00%	3.00%	3.00%
High Voltage DC Converter	2.25%	2.25%	2.25%
	Exemptions		
Homestead Exemption for Residential Property	34.0%	34.0%	34.0%

The growth in net proceeds and gross proceeds taxable value is based on the projected growth in the mineral values. Net proceeds growth is based on the growth in taxable value of metals as derived from the metal mines tax base. Gross proceeds growth is based on growth rate for miscellaneous metals tax base.

There are two new classes of property that have been added to the property tax base beginning in FY 2009. These are class 15, property associated with carbon sequestration, and class 16, property associated with the Montana-Alberta Transmission line. Neither of these properties is expected to be complete before the end of FY 2011.

The following table shows the projected property tax revenue from the property tax base and nonlevy revenue.

Property Tax Revenue in General Fund and University Account

General Fund Property Tax Revenue	FY 2009	FY 2010	FY 2011
95 mill Revenue	$ 201.15	$ 211.51	$ 216.12
1.5 Mill Revenue	1.12	1.16	1.20
Property Tax in the General Fund	$ 202.26	$ 212.68	$ 217.32
Nonlevy Revenue associated with 95 mills	$ 13.04	$ 15.27	$ 14.61
Protested Taxes - 95 mills and 1.5 mills	(0.69)	(1.57)	(1.57)
Net Property Taxes in General Fund	$ 214.61	$ 226.38	$ 230.36
Percent Growth	4.7%	5.5%	1.8%
6 mills Property Tax Revenue (University Account)	$ 12.86	$ 13.51	$ 13.80
Nonlevy Revenue associated with 6 mills	0.84	1.21	1.19
Protested Taxes - 6 mills	(0.04)	(0.10)	(0.10)
Net Property Taxes in University Account	$ 13.66	$ 14.62	$ 14.88

Once net taxable values are determined, the mill levies are applied. To this is added forecasts of nonlevy revenue. Nonlevy revenues come from coal gross proceeds, federal forest receipts and miscellaneous revenue (interest on investments, penalty and interest on delinquent taxes, etc). The tax on the gross proceeds for coal is 5 percent of gross value and is estimated in conjunction with the coal severance tax. Of this total, 41.3 percent is distributed to the elementary and high school county equalization levies.

Federal forest receipts are receipts from the federal government in lieu of revenues from the sale of forest products on federal land. By state law, two-thirds of this revenue is distributed to the county road fund in the counties with federal forestland and the remaining one-third is distributed to the county equalization mills and the county retirement and transportation mills. The share distributed to the 55 mills is the proportion that 55 mills is to all countywide mills in the prior year. This is assumed constant over the forecast period. The proportion that the 55 mills is to all countywide mills is multiplied times 1/3 of the federal forest receipts. The previous formula for distributing federal forest payments to counties was sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25-percent payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20 percent but at least 15 percent must be used by county governments for projects on federal lands. The amount of federal forest receipts in total is expected to be around 2.5 times greater than the amount available previously. Thus the amount distributed to the 55 mills will also increase substantially.

Miscellaneous receipts distributed to the 95 mills are such things as investment earnings, tax title sales, and penalties and interest on delinquent taxes. In fiscal 2007, the latest year for which data are available, miscellaneous nonlevy revenue was $1.5 million, which is expected to remain constant in the future.

Once property tax revenue adjusted for nonlevy revenue is determined, one more adjustment is made. This adjustment is for centrally assessed protested taxes. In fiscal 2008, companies such as Northwestern Energy, Puget Sound and Energy, PacificCorp, Verizon, Qwest, and Omimex protested a portion of their property taxes. Under state law, half of the protested taxes from these companies is deposited in a special account and half in the general fund. It is expected that $3.1 million will be deposited in the special account each of the next three years on behalf of the 95 mills and an additional $190,000 on behalf of the six mills.

Property tax revenue in the general fund is expected to increase at a rate greater than in the recent past mainly due to reappraisal. The legislature may accept this revenue by doing nothing, or may reduce this revenue by applying mitigation strategies yet to be determined.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

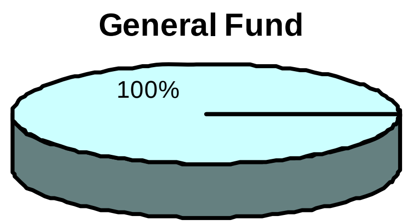
Statutory Reference:

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 30th and one-half due May 31st (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:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 55-mill property tax is reduced $33,751 in FY 2010 and $35,429 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 588 – The legislation retains present law relative distributions of coal gross proceeds between the state and coal producing counties, but counties now remit the present law state share of coal gross proceeds revenue directly to the state. The state special revenue coal gross proceeds redistribution account is eliminated along with the calculation of coal gross proceeds county redistributions and the statutory appropriation for the redistribution transfers. State special revenue to the state is reduced $461,295 in FY 2010, $514,289 in FY 2011, and $807,000 in future years. Transfers to counties are reduced by like amounts. The legislation is effective July 1, 2009 and applies retroactively to coal produced and sold after December 31, 2007.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	---------------------- Full Assessed or Market Value ----------------------			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 55 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $1,911,600 in FY 2011 and $1,587,829 in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $1,030 in FY 2010 and $1,030 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced total property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 280 – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $13,437 in FY 2010 and $14,104 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

Senate Bill 465 – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $51,710 in FY 2010 and $25,855 in FY 2011 and beyond. The legislation is effective on passage and approval is retroactive to tax year 2008.

Senate Bill 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $2,077,248 in FY 2010 and $2,195,651 in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 509 – Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation is effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – The legislation allows a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement." The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009 and applies to tax years beginning after December 31, 2009.

Property Tax: 55 Mill -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0487 Classify as business inventories certain farm implements and construction equ		(33,751)	(35,429)
HB0588 Revise coal gross proceeds distribution			
HB0658 Mitigate reappraisal		1,911,600	1,587,829
SB0115 Simplify income calculations for certain property tax assistance programs		(1,030)	(1,030)
SB0280 Revise tax exemption of rental personal property		(13,437)	(14,104)
SB0465 Clarify ownership of streambeds concerning property taxation		51,710	25,855
SB0489 Revise taxation laws related to pipelines		2,077,248	2,195,651
SB0509 Revise contract sales price of underground mined coal			
SB0510 Abatement of half of coal gross proceeds tax for new underground mine			
Total Estimated General Fund Impact	$0	$3,992,340	$3,758,772

% of Total General Fund Revenue:

FY 2004 – 7.54 %
FY 2005 – 6.69%
FY 2006 – 6.29%
FY 2007 – 6.37%
FY 2008 – 6.83%

Property Tax: 55 Mill

Forecast Considerations:

Major Drivers:

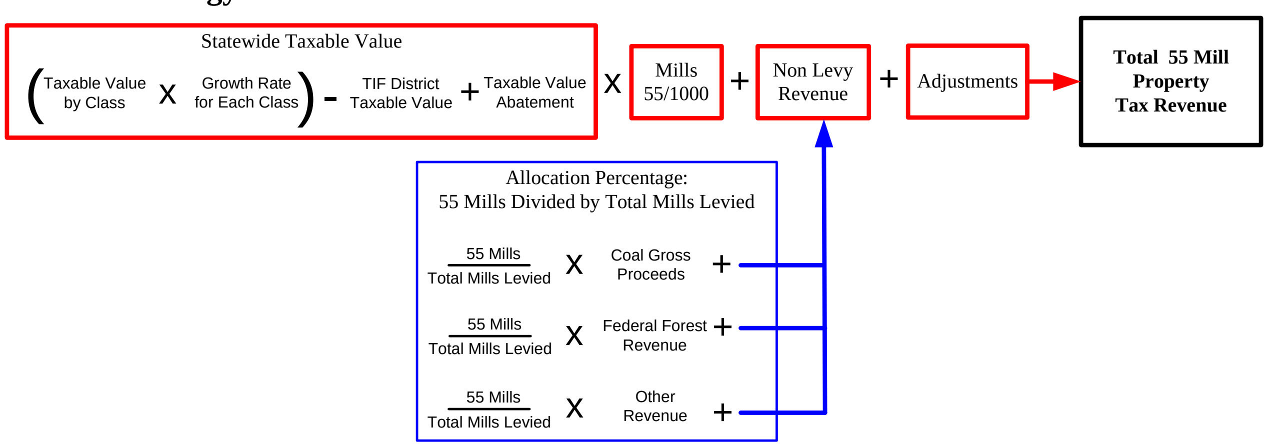
- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values
- Non levy revenue

Potential Factors Influencing Change:

- Economic Factors
  - Personal income change
  - Population change
  - In-migration of business
  - Success of business
  - Demand for local government services
- Social Factors
  - Demand for new housing
- Legislative Factors
  - State legislative impacts
    - Reappraisal mitigation
    - Tax rate changes
    - Property class definition
  - Federal legislative impacts
    - Federal 4R act as applies to railroad and airline property

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

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	125.145645	125.145645	1863.986815	0.055000	23.445540	0.274000
Actual	2001	115.454627	115.454627	1656.909416	0.055000	16.482000	4.933824
Actual	2002	105.375801	105.375801	1671.589714	0.055000	13.809000	0.000000
Actual	2003	106.028709	106.028709	1691.720391	0.055000	11.424000	0.000000
Actual	2004	104.223809	104.223809	1703.300593	0.055000	12.701000	0.000000
Actual	2005	104.183789	102.415859	1756.251400	0.055000	0.000000	0.000000
Actual	2006	108.949260	107.494822	1836.487799	0.055000	0.000000	0.000000
Actual	2007	115.230438	113.285362	1940.708962	0.055000	0.000000	0.000000
Actual	2008	121.354911	121.432143	2041.767032	0.055000	0.000000	0.000000
Forecast	2009	129.493000	129.095000	2117.329701	0.055000	13.040000	0.000000
Forecast	2010	137.292000	136.389000	2218.525578	0.055000	15.273000	0.000000
Forecast	2011	139.193000	138.290000	2265.107908	0.055000	14.612000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Forecast	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Forecast	2010	4.013187	48.376872	142.098658	1341.975431	35.856515	0.000000	1.243973
Forecast	2011	4.013187	15.373106	142.098658	1388.944571	36.572470	0.000000	1.274308

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Forecast	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Forecast	2010	158.838229	274.905784	6.815620	43.615233	162.407304	24.821120	20.020604
Forecast	2011	166.732764	290.453881	6.815620	43.516001	170.596567	24.737460	20.020604

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

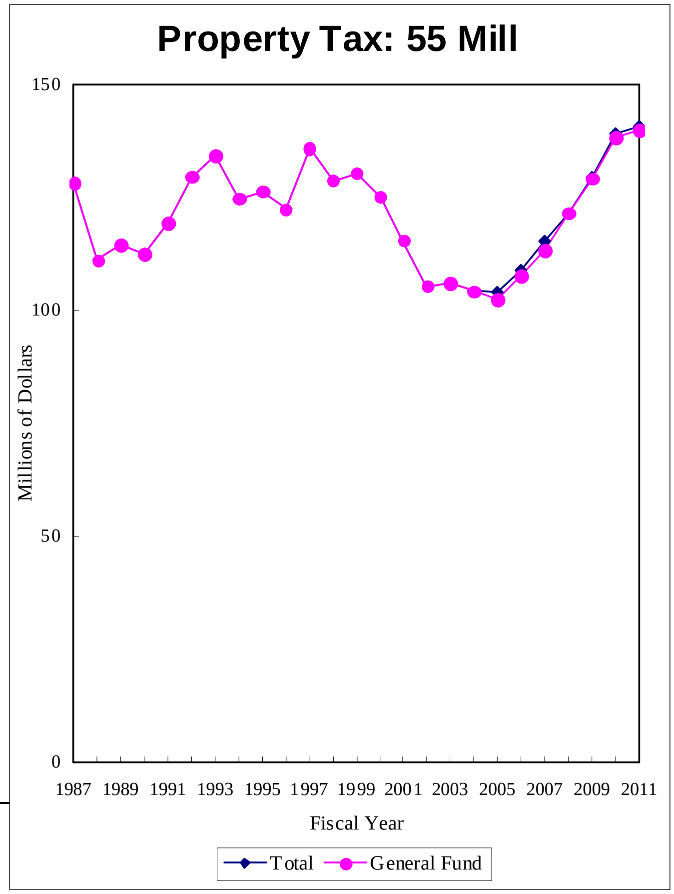
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	128.225413	128.225413	Not App.
A	1988	111.111138	111.111138	-13.35%
A	1989	114.444609	114.444609	3.00%
A	1990	112.374543	112.374543	-1.81%
A	1991	119.161125	119.161125	6.04%
A	1992	129.526346	129.526346	8.70%
A	1993	134.154928	134.154928	3.57%
A	1994	124.696589	124.696589	-7.05%
A	1995	126.265989	126.265989	1.26%
A	1996	122.329028	122.329028	-3.12%
A	1997	135.893657	135.893657	11.09%
A	1998	128.708743	128.708743	-5.29%
A	1999	130.388345	130.388345	1.30%
A	2000	125.145645	125.145645	-4.02%
A	2001	115.454627	115.454627	-7.74%
A	2002	105.375801	105.375801	-8.73%
A	2003	106.028709	106.028709	0.62%
A	2004	104.223809	104.223809	-1.70%
A	2005	104.183789	102.415859	-1.73%
A	2006	108.949260	107.494822	4.96%
A	2007	115.230438	113.285362	5.39%
A	2008	121.354911	121.432143	7.19%
F	2009	129.493000	129.095000	6.31%
F	2010	139.137000	138.234000	7.08%
F	2011	140.804000	139.902000	1.21%



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 instance, statewide 40 mill revenue includes a property tax portion and a non levy portion.

A description for each individual source follows below.

Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal fiscal year 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25 percent of the federal forest receipts and sent 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.

The previous formula for distributing federal forest payments sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25-percent payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20 percent but at least 15 percent must be used by county governments for projects on federal lands. The remainder is distributed as below.

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 general 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).

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: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source.

The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The previous formula for distributing federal forest payments sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25-percent payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20 percent but at least 15 percent must be used by county governments for projects on federal lands. The remainder is distributed as below.

<u>Coal Gross Proceeds Tax</u>

Revenue Description: The state imposes a gross proceeds tax of 5.0 percent 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. This is the same gross value as used in the calculation of the state coal severance tax.

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. 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.

Applicable Tax Rate(s): The amount of tax due is 5.0 percent of the value of production as measured by the contract sales price for production in the preceding calendar year.

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 tax year 1989. 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 previous fiscal year.

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

Contacts: Coal Company Representatives, 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 LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

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 tax year 1989 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.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Distribution: Varies

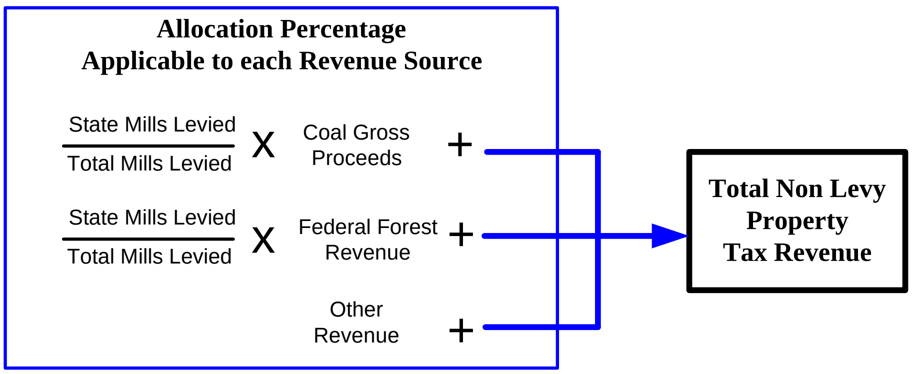
Collection Frequency: Varies

Statutory References: Various

% 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.

Forecast and Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

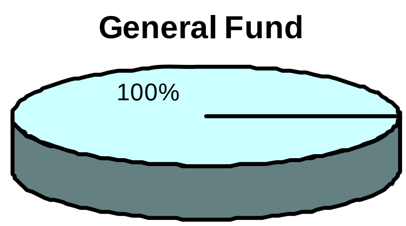
Statutory Reference:

Tax Rate (MCA) – 20-9-360
Tax Distribution (MCA) – 20-9-360
Date Due – one-half of taxes due November 30th and one-half due May 31st (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, 40 mills generate $40 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:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 40-mill property tax is reduced $24,546 in FY 2010 and $25,767 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

Type of Property	2003 Reappraisal	2009 Reappraisal	Difference in Value	Percent Change
	---------- Full Assessed or Market Value	----------		
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 40 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $1,390,255 in FY 2011 and $1,154,785 in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

<u>Senate Bill 115</u> – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $749 in FY 2010 and $749 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

<u>Senate Bill 280</u> – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $9,772 in FY 2010 and $10,258 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

<u>Senate Bill 465</u> – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $37,607 in FY 2010 and $18,804 in FY 2011 and beyond. The legislation is effective on passage and approval is retroactive to tax year 2008.

<u>Senate Bill 489</u> – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $1,510,726 in FY 2010 and $1,596,837 in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 509 – Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation is effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – The legislation allows a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement." The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009 and applies to tax years beginning after December 31, 2009.

Property Tax: 40 Mill -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0487 Classify as business inventories certain farm implements and construction equ		(24,546)	(25,767)
HB0658 Mitigate reappraisal		1,390,255	1,154,785
SB0115 Simplify income calculations for certain property tax assistance programs		(749)	(749)
SB0280 Revise tax exemption of rental personal property		(9,772)	(10,258)
SB0465 Clarify ownership of streambeds concerning property taxation		37,607	18,804
SB0489 Revise taxation laws related to pipelines		1,510,726	1,596,837
Total Estimated General Fund Impact	$0	$2,903,521	$2,733,652

% of Total General Fund Revenue:

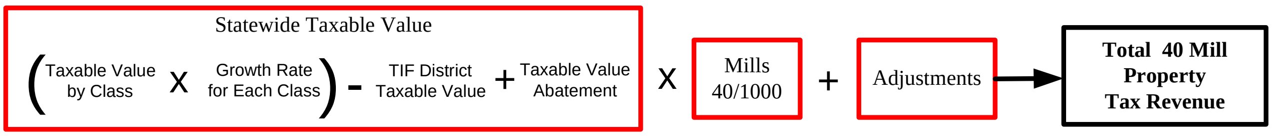
FY 2004 – 4.66 %
FY 2005 – 4.18%
FY 2006 – 4.05%
FY 2007 – 4.31%
FY 2008 – 4.64%

Revenue Estimate Profile

Property Tax: 40 Mill

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

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	68.119545	68.119545	1863.986815	0.040000	10.810197	-12.712919
Actual	2001	63.423977	63.423977	1656.909416	0.040000	5.251000	-11.300000
Actual	2002	63.044975	63.044975	1671.589714	0.040000	4.705000	-9.888000
Actual	2003	64.767167	64.767167	1691.720391	0.040000	2.983000	-8.475000
Actual	2004	64.339197	64.339197	1703.300593	0.040000	3.889000	-7.063000
Actual	2005	65.236575	63.950808	1756.251400	0.040000	0.000000	-5.650000
Actual	2006	70.257071	69.199414	1836.487799	0.040000	0.000000	-4.238000
Actual	2007	78.129591	76.712447	1940.708962	0.040000	0.000000	-2.825000
Actual	2008	82.458974	82.517881	2041.767032	0.040000	0.000000	-1.413000
Forecast	2009	84.693000	84.405000	2117.329701	0.040000	0.000000	0.000000
Forecast	2010	88.741000	88.085000	2218.525578	0.040000	0.000000	0.000000
Forecast	2011	90.604000	89.948000	2265.107908	0.040000	0.000000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Forecast	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Forecast	2010	4.013187	48.376872	142.098658	1341.975431	35.856515	0.000000	1.243973
Forecast	2011	4.013187	15.373106	142.098658	1388.944571	36.572470	0.000000	1.274308

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.7480920	498.0302370	8.5200900	68.1925880	0.0000000	44.5355770	7.8747870
Actual	2001	112.7827340	230.8329780	8.7088490	49.6414440	147.1427500	28.4288400	7.8747870
Actual	2002	116.6052090	219.9557670	8.1987880	48.6583800	144.4880950	30.5295630	3.8798300
Actual	2003	118.3489260	206.3601230	7.1702390	46.6884790	137.1848470	30.8028320	3.8700000
Actual	2004	118.2969880	212.1109300	6.7892870	45.6302570	125.6225470	33.5621400	3.1883180
Actual	2005	117.2409840	219.9928240	6.7913820	45.0740610	120.4850650	27.7669030	4.0883170
Actual	2006	123.0549460	238.7666750	6.7937650	44.2672200	122.8459890	25.4644200	4.1368460
Actual	2007	135.6127930	248.3201880	6.8155190	41.5768140	130.4757120	28.8302010	18.8545270
Actual	2008	138.6583487	264.3238030	6.8223730	43.0036190	152.9419110	30.1203630	18.0988540
Forecast	2009	151.3174882	260.1899820	6.8156200	43.5673840	154.6111560	25.7521500	20.0206040
Forecast	2010	158.8382290	274.9057840	6.8156200	43.6152330	162.4073040	24.8211200	20.0206040
Forecast	2011	166.7327640	290.4538810	6.8156200	43.5160010	170.5965670	24.7374600	20.0206040

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

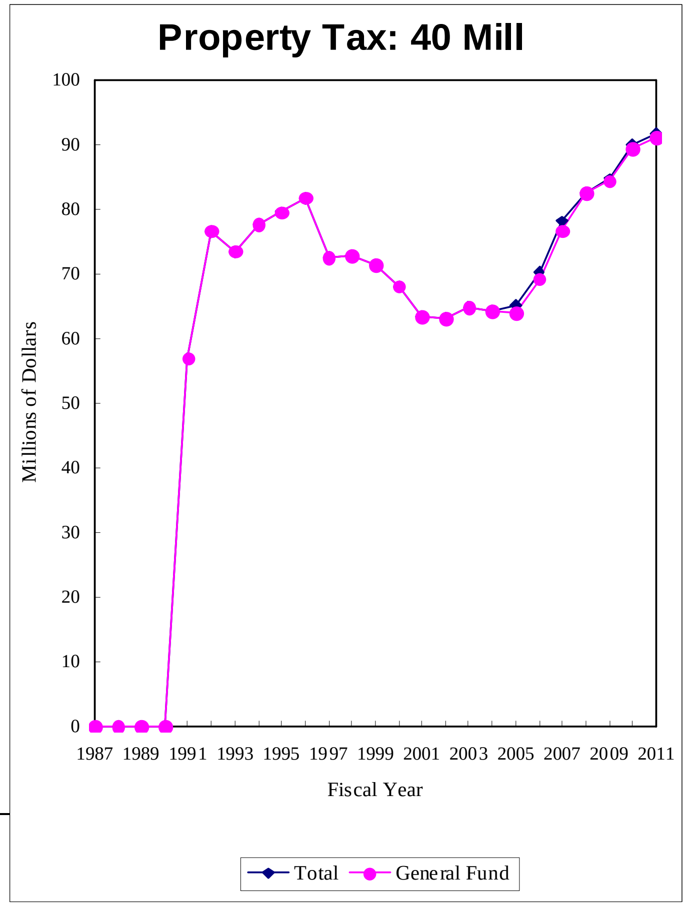
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	56.993458	56.993458	Not App.
A	1992	76.611683	76.611683	34.42%
A	1993	73.491444	73.491444	-4.07%
A	1994	77.685356	77.685356	5.71%
A	1995	79.576682	79.576682	2.43%
A	1996	81.753560	81.753560	2.74%
A	1997	72.560534	72.560534	-11.24%
A	1998	72.792875	72.792875	0.32%
A	1999	71.370740	71.370740	-1.95%
A	2000	68.119545	68.119545	-4.56%
A	2001	63.423977	63.423977	-6.89%
A	2002	63.044975	63.044975	-0.60%
A	2003	64.767167	64.767167	2.73%
A	2004	64.339197	64.339197	-0.66%
A	2005	65.236575	63.950808	-0.60%
A	2006	70.257071	69.199414	8.21%
A	2007	78.129591	76.712447	10.86%
A	2008	82.458974	82.517881	7.57%
F	2009	84.693000	84.405000	2.29%
F	2010	90.083000	89.427000	5.95%
F	2011	91.776000	91.120000	1.89%



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

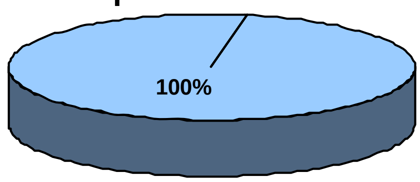
Statutory Reference:

Tax Rate (MCA) – 15-10-107
Tax Distribution (MCA) – 15-10-107
Date Due – one-half of taxes due November 30th and one-half due May 31st (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, 6 mills generate $6 in state property taxes.

Distribution: All tax receipts are deposited into the university system 6 mill levy state special revenue account.

Distribution Chart:



Summary of Legislative Action:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 95-mill property tax is reduced $58,623 in FY 2010 and $61,537 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	----- Full Assessed or Market Value -----			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 95 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $3.2 million in FY 2011 and $2.8 million in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $1,789 in FY 2010 and $1,789 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 280 – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $23,338 in FY 2010 and $24,498 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

Senate Bill 465 – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $89,816 in FY 2010 and $44,908 in FY 2011 and beyond. The 6-mill impact of SB 465 increases state special revenue $5,642 in FY 2010 and $2,821 in FY 2011. The legislation is effective on passage and approval is retroactive to tax year 2008.

Senate Bill 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: “The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language “centrally assessed natural gas companies having a major distribution system in this state” with “centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)”.

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining “natural gas or oil pipelines” as “those regulated by the public service commission or the federal energy regulatory commission”. Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $3.6 million in FY 2010 and $3.8 million in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,862 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 509 – Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation is effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – The legislation allows a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as “that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement.” The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009 and applies to tax years beginning after December 31, 2009.

Property Tax: 6 Mill -- Legislation Passed by 61st Legislature
Estimated State Special Revenue Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0487 Classify as business inventories certain farm implements and construction equ		(3,703)	(3,887)
HB0658 Mitigate reappraisal		208,538	173,218
SB0115 Simplify income calculations for certain property tax assistance programs		(113)	(113)
SB0280 Revise tax exemption of rental personal property		(1,474)	(1,547)
SB0465 Clarify ownership of streambeds concerning property taxation		5,642	2,821
SB0489 Revise taxation laws related to pipelines		227,873	240,862
SB0509 Revise contract sales price of underground mined coal			
SB0510 Abatement of half of coal gross proceeds tax for new underground mine			
Total Estimated State Special Revenue Fund Impact	$0	$436,763	$411,354

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

% of Total General Fund Revenue: NA

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

Forecast Methodology:

Statewide Taxable Value

(Taxable Value by Class X Growth Rate for Each Class) - TIF District Taxable Value + Taxable Value Abatement X Mills 6/1000 + Adjustments → **Total 6 Mill Property Tax Revenue**

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	13.189138	0.000000	1900.647605	0.006000	2.584415	0.000000
Actual	2001	13.837616	0.000000	1677.463469	0.006000	1.758000	0.657843
Actual	2002	12.298211	0.000000	1698.239447	0.006000	1.588000	0.000000
Actual	2003	12.010924	0.000000	1722.523223	0.006000	1.082000	0.000000
Actual	2004	11.374292	0.000000	1736.862733	0.006000	0.000000	0.000000
Actual	2005	12.244984	0.000000	1784.018303	0.006000	0.000000	0.000000
Actual	2006	11.952119	0.000000	1861.952219	0.006000	0.000000	0.000000
Actual	2007	12.516793	0.000000	1969.539163	0.006000	0.000000	0.000000
Actual	2008	13.312517	0.000000	2071.887395	0.006000	0.000000	0.000000
Forecast	2009	13.702000	0.000000	2143.081851	0.006000	0.844000	0.000000
Forecast	2010	14.671000	0.000000	2243.346698	0.006000	1.211000	0.000000
Forecast	2011	14.924000	0.000000	2289.845368	0.006000	1.185000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Forecast	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Forecast	2010	4.013187	48.376872	142.098658	1341.975431	35.856515	0.000000	1.243973
Forecast	2011	4.013187	15.373106	142.098658	1388.944571	36.572470	0.000000	1.274308

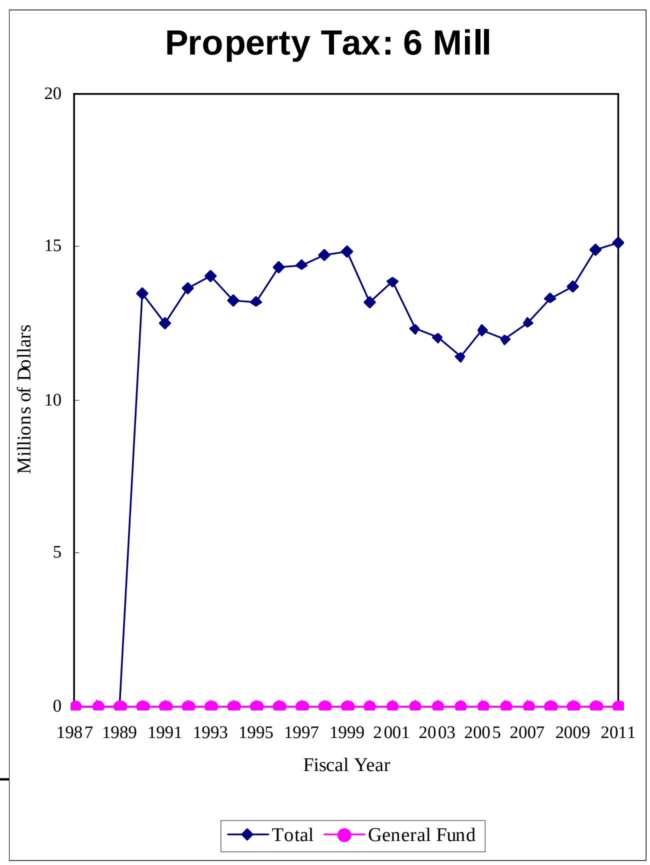
Property Tax: 6 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Forecast	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Forecast	2010	158.838229	274.905784	6.815620	43.615233	162.407304	24.821120	20.020604
Forecast	2011	166.732764	290.453881	6.815620	43.516001	170.596567	24.737460	20.020604

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

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	13.474561	0.000000	Not App.
A	1991	12.496650	0.000000	Not App.
A	1992	13.617908	0.000000	Not App.
A	1993	14.043891	0.000000	Not App.
A	1994	13.216589	0.000000	Not App.
A	1995	13.205272	0.000000	Not App.
A	1996	14.303006	0.000000	Not App.
A	1997	14.403716	0.000000	Not App.
A	1998	14.702250	0.000000	Not App.
A	1999	14.833917	0.000000	Not App.
A	2000	13.189138	0.000000	Not App.
A	2001	13.837616	0.000000	Not App.
A	2002	12.298211	0.000000	Not App.
A	2003	12.010924	0.000000	Not App.
A	2004	11.374292	0.000000	Not App.
A	2005	12.244984	0.000000	Not App.
A	2006	11.952119	0.000000	Not App.
A	2007	12.516793	0.000000	Not App.
A	2008	13.312517	0.000000	Not App.
F	2009	13.702000	0.000000	Not App.
F	2010	14.873000	0.000000	Not App.
F	2011	15.101000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Description: Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. This revenue component used to include collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. HB 124, passed during the 2001 legislative session, eliminated distribution of non-levy sources to the 1.5 mill levy.

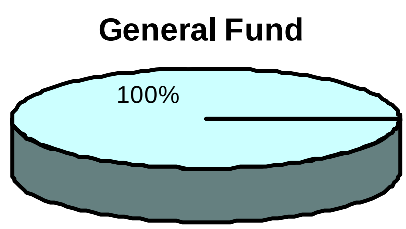
Statutory Reference:

Tax Rate (MCA) – 20-25-439(1)
Tax Distribution (MCA) – 20-25-439(2)
Date Due – one-half of taxes due November 30th and one-half due May 31st (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 assessed value to produce a taxable value. For every $1,000 in taxable value,1.5 mills generate $1.50 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:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 1.5-mill property tax is reduced $325 in FY 2010 and $341 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	Full Assessed or Market Value			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 1.5 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $18,421 in FY 2011 and $15,301 in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $10 in FY 2010 and $10 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced total property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

<u>Senate Bill 280</u> – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $129 in FY 2010 and $136 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

<u>Senate Bill 465</u> – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $489 in FY 2010 and $249 in FY 2011 and beyond. The legislation is effective on passage and approval is retroactive to tax year 2008.

<u>Senate Bill 489</u> – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $20,017 in FY 2010 and $21,158 in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Property Tax: 1.5 Mill -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

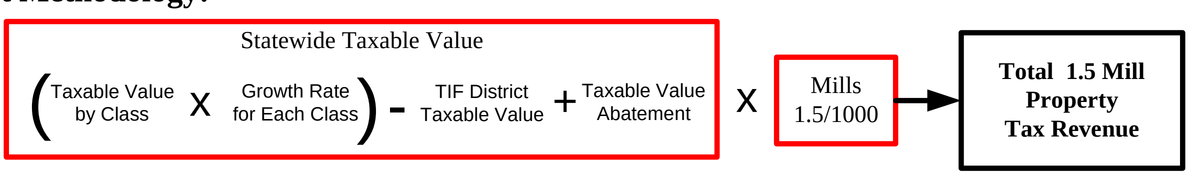
Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0487 Classify as business inventories certain farm implements and construction equ		(325)	(341)
HB0658 Mitigate reappraisal		18,421	15,301
SB0115 Simplify income calculations for certain property tax assistance programs		(10)	(10)
SB0280 Revise tax exemption of rental personal property		(129)	(136)
SB0465 Clarify ownership of streambeds concerning property taxation		498	249
SB0489 Revise taxation laws related to pipelines		20,017	21,158
Total Estimated General Fund Impact	$0	$38,472	$36,221

% of Total General Fund Revenue:

FY 2004 – 0.07 %
FY 2005 – 0.06%
FY 2006 – 0.06%
FY 2007 – 0.06%
FY 2008 – 0.06%

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

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	0.930968	0.930968	618.047161	0.001500	0.121110	0.000000
Actual	2001	1.171643	1.171643	552.853841	0.001500	0.126000	0.038500
Actual	2002	0.918612	0.918612	563.452494	0.001500	0.020000	0.033688
Actual	2003	0.883986	0.883986	586.588275	0.001500	0.000000	0.000000
Actual	2004	0.967988	0.967988	596.512999	0.001500	0.000000	0.000000
Actual	2005	0.922474	0.903683	608.056452	0.001500	0.000000	0.000000
Actual	2006	0.959592	0.944963	662.811261	0.001500	0.000000	0.000000
Actual	2007	0.995605	0.984130	693.488490	0.001500	0.000000	0.000000
Actual	2008	1.096579	1.093727	721.234291	0.001500	0.000000	0.000000
Forecast	2009	1.116000	1.115000	743.920985	0.001500	0.000000	0.000000
Forecast	2010	1.162000	1.154000	774.678861	0.001500	0.000000	0.000000
Forecast	2011	1.198000	1.190000	798.988264	0.001500	0.000000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Forecast	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Forecast	2010	4.013187	48.376872	142.098658	1341.975431	35.856515	0.000000	1.243973
Forecast	2011	4.013187	15.373106	142.098658	1388.944571	36.572470	0.000000	1.274308

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Forecast	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Forecast	2010	158.838229	274.905784	6.815620	43.615233	162.407304	24.821120	20.020604
Forecast	2011	166.732764	290.453881	6.815620	43.516001	170.596567	24.737460	20.020604

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

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.863590	0.000000	Not App.
A	1991	0.870302	0.000000	Not App.
A	1992	0.945934	0.000000	Not App.
A	1993	0.895874	0.000000	Not App.
A	1994	0.974589	0.000000	Not App.
A	1995	1.013989	0.000000	Not App.
A	1996	1.028520	0.000000	Not App.
A	1997	1.144082	0.830174	Not App.
A	1998	0.848762	0.848762	2.24%
A	1999	1.015894	1.015894	19.69%
A	2000	0.930968	0.930968	-8.36%
A	2001	1.171643	1.171643	25.85%
A	2002	0.918612	0.918612	-21.60%
A	2003	0.883986	0.883986	-3.77%
A	2004	0.967988	0.967988	9.50%
A	2005	0.922474	0.903683	-6.64%
A	2006	0.959592	0.944963	4.57%
A	2007	0.995605	0.984130	4.14%
A	2008	1.096579	1.093727	11.14%
F	2009	1.116000	1.115000	1.95%
F	2010	1.200000	1.192000	6.91%
F	2011	1.234000	1.226000	2.85%